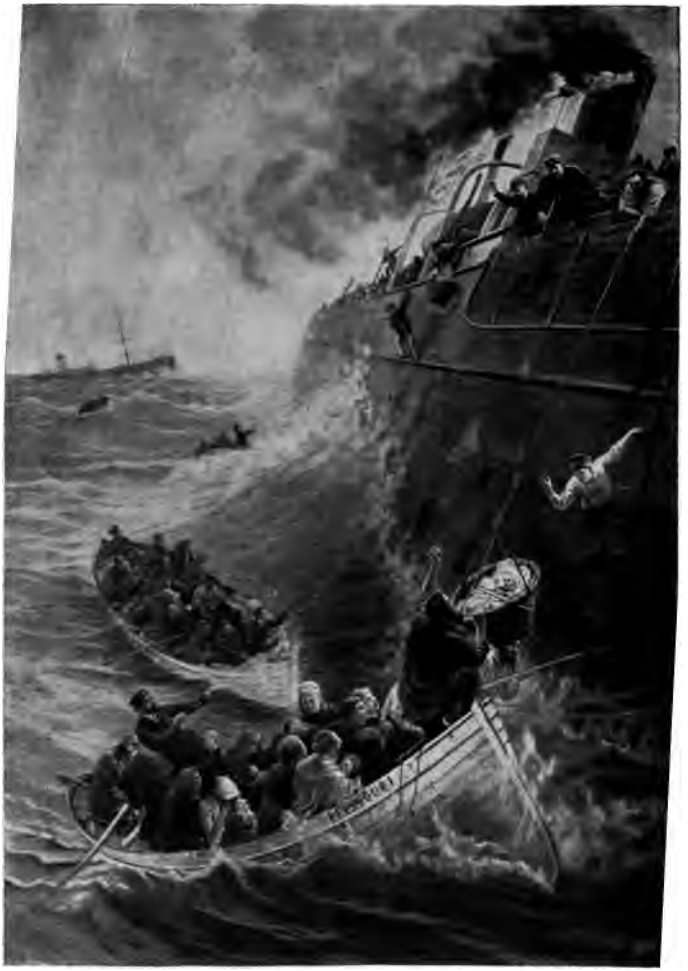

"AND EVERY SOUL WAS SAVED"

"AND EVERY SOUL WAS SAVED"

The engraving opposite, taken from a famous painting by Thomas H. Henry, commemorates one of the most graphic rescues at sea ever recorded in the history of maritime events. In April, 1889, the emigrant ship Denmark, bound from Copenhagen for the United States, with 735 passengers on board, was ripped open by a broken propeller shaft. She was fifteen days out from port, and not a sail to be seen on the horizon. A heavy sea made it extremely doubtful whether life-boats could live. Slowly the vessel began to sink. For twenty-four hours the passengers prayed and wept as the lashing sea swirled higher and higher about the ship. Suddenly on the afternoon following the accident the steamer Missouri, of the Atlantic Transport Line, Captain [illegible] Murphy, bound from London to Philadelphia, was sighted. A tow was attempted, but abandoned, and despite the heavy sea, life-boats were lowered and the transfer of passengers and crew begun. Twenty-two infants, sixty-five children, the women and men were taken off in order named. Not a life was lost. The Missouri was loaned free to the American Government as a hospital ship during the Spanish-American War, and after the war purchased by the United States for permanent hospital purposes.

SHIPS

By

BERNARD NADAL BAKER

Assisted By

J. FREDERICK ESSARY

"Let the welfare of the people be the first great law"

FOR PRIVATE DISTRIBUTION ONLY
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"FOREWORD"

Placing the export wealth of our country for transportation upon the ships of other nations, seems as inconsistent as it would be for our farmers to never own their implements of agriculture, their granaries and their barns, but to continually rent them from their competitors.

It will be an inspiring sight for the American journeying afar and entering distant ports, to turn his eyes upon the great ships of his country riding there at anchor, and to feel the thrill, the welcome, the touch of friendship which comes to him from his own flag—the glorious Stars and Stripes.

Mr. Bernard Nadal Baker's contribution to the thought of our people on the questions contained in this book deserves attention. He has devoted the greater part of his life to the shipping industry, and can speak as an authority on its problems. He has no

selfish interest to serve in advocating the upbuilding of our merchant marine, a circumstance which will surely commend his advice and counsel to those charged with the responsibility of legislating upon this subject. I have confidence that his suggestions in this country's having an efficient merchant marine and naval force to take its proper place in both protecting and developing the foreign commerce of the world could aid largely in bringing about, by cooperation with other nations, the enforcement of the world's peace.

J. Card Gibbons

Baltimore,

January fourteenth, 1916.

PREFACE.

In offering this book to you, I ask indulgence for any errors or omissions. The difficulty of limiting such an important and varied subject to so few pages is my excuse for asking this consideration.

If the facts set forth arouse your interest in the re-establishment of our American merchant marine my mission will be fulfilled.

Could not an adequate merchant marine give to our country its share of world commerce and also train a naval reserve which would make our navy a factor in securing the future peace of the world?

Bernard Nadal Baker

INGLESIDE,
January 15th, 1916.

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THE PRESENT STATE OF OUR MERCHANT MARINE.

CHAPTER I.

No longer is it necessary for men of patriotic impulses—men whose highest interest is in their country's interest—to plead the importance or preach the necessity of re-creating an American merchant marine. The day for that is past. The ignorant or indifferent condition of the public mind affecting this great national problem has ceased to exist. In its place has come a nation-wide demand that we achieve again our trade independence; that we release ourselves from commercial bondage; that we rehabilitate our shipping industry, and that we once more assume our old position as a sea power.

The pressure of this demand is felt on every hand. The force of this re-awakened sentiment is manifest in every section of the country, east, west, north and south. Wherever American business men gather, whether

in local groups, in sectional conferences, or in national conventions, they are discussing it, legislating upon it, and are appealing to Congress for relief. The issue which has been raised must, therefore, be met fairly and squarely. It cannot longer be evaded, and the opinion is here ventured that no further attempt will be made to evade it.

These facts are plainly stated, but not more so than the state of the public mind warrants. The distressing experience of American business during the two years past—and American business is the very life of the American nation—has brought home to us the blundering policy of the past. It has demonstrated the supreme folly of placing our foreign trade at the mercy of alien ships. It has shown us what a loss we sustained when we surrendered our merchant marine and retired as a factor in the world's over-seas shipping.

For many years it was difficult to arouse widespread interest in this question. The

interior element of our people regarded it as a sectional problem. They left its solution to the seaboard States. The farmer was unable to see wherein it concerned him. The merchant and the manufacturer of the mid-sections had a like point of view. They refused to be concerned about ocean transportation so long as the goods they bought or the products they sold were delivered. Ways and means were questions too remote to enter into their calculations.

When, however, the shock of a world-war came, paralyzing almost over night the trade channels of two continents; when every vessel flying the German or Austrian flag was withdrawn from the seas; when half a thousand British ships were commandeered for military purposes; when grain and cotton, and even manufactures, were refused bottoms at our ports; when domestic stagnation followed and financial ruin threatened the tens of thousands of producers within our borders; when these

things came to pass, all because we had no merchant marine of our own, only then did the question of shipping become a personal matter at every fireside on this continent. It touched the pocketbook of every American citizen and involved the prosperity and happiness of every American home. It is that circumstance which has compelled a reopening of the question with a renewed effort to find a remedy and to put that remedy into immediate effect.

I assume, therefore, that there is today little or no difference of opinion among the thoughtful people of this country as to the necessity for a merchant marine. If there be such a difference, it is not reflected in the press, in the utterances of our public men, or in the councils of trade. It has made itself felt nowhere. There are, however, wide differences of opinion upon the question of how our flag may be restored to the seas. And due respect must be given to the diverse views upon this subject. For

more than twenty years the problem has been debated by public men. Upon the solution of the proposition master minds have dwelt, and around it political issues have been built. All this has happened without either bringing us to a consummation of our national aspiration or pointing the way to a successful policy.

Many men of broad vision sincerely doubt the practicability of re-establishing an American merchant marine without absolutely revolutionary changes in our navigation laws and without a repudiation of our policy toward maritime labor. Moreover, there are some who can conceive of no solution for the problem other than by straight subsidies from the Federal Government, gratuitous bounties which shall offset the difference in conditions of navigation among American merchantmen and the merchantmen of competing nations.

Others there are who contend with force that the Federal Government itself must

embark upon this enterprise; that the pioneering must be done by an interest having boundless resources; an interest that is not compelled to concern itself with dividends to its stockholders or returns to its bondholders; an interest that can afford to suffer losses and sustain them for an indefinite period; an interest that has a single purpose—the general welfare of the nation as a whole. Obviously there is but one such interest, and that is the Government of the United States.

Each of these conflicting views is held by men of standing, and they are entitled, therefore, to the most thoughtful consideration by all elements of our people.

It is my purpose to present a relief measure which will, in my judgment, harmonize in a large degree different opinions and bring together in a common bond those earnest men upon whom, as the representatives of all the people, rests the responsibility of dealing with these issues. And the pro-

posal which will be unfolded here, the one to which I have dedicated this volume, is not the snap judgment of a propagandist. My conclusions have been reached as the result of forty years' practical experience in the steamship business and an intimate though unofficial relationship with four national administrations.

I am firmly convinced that conditions are today favorable for the re-establishment of our merchant marine on a sound and permanent basis, for an expansion of our foreign commerce in proportions undreamed of a decade ago, and for the development by the same stroke of a naval and military auxiliary and a naval reserve that will prove a bulwark in our program for national defense. That each of these steps has a vital bearing upon our well-being as a nation no one will dispute, and any feasible plan whereby they may be accomplished deserves a sympathetic hearing.

Professor E. R. Seligman, of Columbia

"City of Savannah," American built and American manned, was the first steam-propelled vessel to cross an ocean. Verily, the traditions of our merchant marine are splendid, a circumstance which makes its present state all the more lamentable.

Today Great Britain is the leading sea-power in the world, yet it is comforting to remember that our own experience as a great maritime nation antedates that of England. Less than sixty years ago American ships carried the bulk of all the foreign commerce. It is quite true that the volume of international trade was infinitely smaller then than now, but we have kept pace with civilized peoples in every enterprise other than the enterprise of deep-sea transportation. From 1800 to 1860 we were at the zenith of our power upon the ocean. Then came the Civil War, with its disastrous consequences, to be followed by great interior development projects at home, the opening of the western empire and the absorption

of our capital and business genius by newer interests. These domestic conditions, coupled with England's dogged determination to make the steamship supreme, finally forced us to abandon the fight.

It is a singular circumstance that the American merchant marine had its real beginning during a period of strife in Europe not unlike that which exists on that continent today. It was during the first Napoleonic war, when more than half of the European nations were trying to crush France, that America first forged to the front as a maritime power. Neutral then, as now, the United States claimed the right to send its vessels into every unblockaded market, while merchantmen of belligerent powers ventured to sea at their own peril. Though our vessels were often seized and our seamen oftener impressed, our fleet of traders increased at an amazing rate, and before the aggressions finally brought on the War of 1812 we were carrying more than ninety

per cent. of our own commerce and much of that of other nations.

A series of legislative acts by Congress served to expand this new industry. For instance, in 1789 a law was passed granting a ten per cent. rebate on all imports carried in American bottoms. Eleven years later another act went upon the statute books, maintaining the ten per cent. discount, but adding a ten per cent. duty upon such merchandise as might be imported in alien ships. This was the stimulation which gave our merchant marine its real foundation and so fortified it that, when in 1815 a reciprocity policy was determined upon, resulting in a repeal of the discriminating duty system, the marine industry withstood the shock and continued to grow.

This later growth, however, had its basis in the fact that American genius designed a new type of vessel, unequaled in speed and efficiency by any then afloat. This was the famous clipper ship, incomparable in its day

and destined to maintain American prestige on the waves for nearly half a century. These swift Yankee packets carried the flag of the United States into every port of the world. Superbly manned and superbly built, they outsailed every rival, and, carrying more cargo on an equal displacement, no competitor could long stand in their way. The clipper period was the proudest in the history of American seamanship, and its passing, with the advent of steam navigation, marked the beginning of our decline as a maritime nation.

Responsibility for this decline lay, in large measure, in the contempt of the early American ship owners and builders for the steamship as it existed in the late forties and the early fifties. It is true that we had been the first to develop steam as a successful means of ship propulsion. We had even embarked upon steam navigation on a promising scale on our inland waters. Moreover, as has been stated, we had sent

the first steam-driven vessel across the Atlantic. Americans felt pride in these achievements and meant to follow them up, but they relied upon the clipper as their money-maker and gave no thought to an abandonment of sailing craft as the great commerce-carriers of the seas.

During the halcyon period of the clipper British shipping was at its lowest ebb as a competitor of American seamanship and American trade enterprise. For approximately forty years the United States was able by means of these packets to maintain its supremacy in deep-sea navigation. And it was not until the English turned in desperation to steam vessels that this supremacy was threatened. As late as 1855 the American merchant marine held its ascendency. About that time, however, the British Government, ever jealous of its shipping industry, went to its rescue by repealing many of the ancient and burdensome navigation laws. This gave the English merchant ma-

rine an immediate impetus, but, still handicapped in their effort to produce a sailing ship in the class with the clipper of American make, the British turned to the development of iron vessels, driven by steam.

Early experiments with craft of this type were not wholly successful. They had to be rigged with sails as auxiliary power, and even then they lacked the speed necessary to keep up with the swift packets which the Americans were sending into every market. These Englishmen persisted, however. They turned their attention to the design of a more satisfactory marine engine, and their constructors adopted, as far as practicable, the hull lines of the clipper. As each succeeding British steamship of this period left the ways it represented more advanced ideas, and little by little the new type crowded the sailing vessels of our merchant fleet into second place.

Just as this natural evolution was taking place the Civil War came. America still

held her own with the British as late as 1860, but our grip on the world's trade was being loosened. Our steam lines, though encouraged by mail contracts authorized by Congress in 1858, had failed to show definite results, but the clippers were yet ploughing the seas. With the outbreak of civil strife, however, an enormous volume of American export trade was cut off. Cotton shipments were almost wholly suspended during the Federal blockade of Southern ports, and much of the foreign trade of the Northern States was likewise reduced. Just before the war started 6,165,000 tons of American freight cleared from our ports and 2,624,000 tons of foreign freight. We were then carrying approximately 70 per cent. of our own exports and 65 per cent. of our imports.

The following year, that is, 1861, the American merchant marine suffered severe shrinkage, and before the war had ended and normal trade conditions were resumed, our

merchant fleet had been reduced about one-half. Great Britain accepted this favorable opportunity to buy American ships, mainly those of Southern ownership. In all 800,000 tons were purchased by English interests. During the course of the war the Government took over nearly 1,000,000 tons for the use of the army and navy, and Confederate commerce destroyers sunk or captured more than 100,000 tons. Therefore, the close of the war found the United States bereft of the bulk of its overseas shipping facilities, and from then until now we have been unable to recover what we had lost.

With our merchant marine cut in half by the rigors of civil strife, with the British pressing us by means of their superior class of steam vessels, and with the old wooden type as represented by the clipper no longer able to meet the demand for quick delivery of freight, American money interests turned their attention to interior development. Railroads were being built across the conti-

nent. Vast areas of new land were being thrown open, and investors of the period embraced in the seventies and eighties drifted away from the shipping industry for more profitable fields. On the heels of this came the German, Italian and Scandinavian merchant fleets to compete for a share of the world's shipping, and we seemed content to let the European nations fight among themselves for a business which we had dominated prior to the Civil War.

Our supremacy on the sea, which started with a European war, was lost by our own civil strife, and will be again restored by another European war—if fostered by appropriate legislation.

About this time, however, we launched aggressively upon a policy of protecting our coastwise shipping from the competition of alien fleets. Measures more restrictive were taken to limit this business to American bottoms, and it is now, as it has been for years, an absolute American monopoly. No ves-

sel flying a foreign flag may trade between American ports, a condition which is eminently proper as long as coastwise shipping and seaboard railway transportation are divorced. In the course of years, however, the railroads saw the advantage of owning or controlling competing steamship lines, and one by one acquired most of the leading shipping companies engaged in the domestic trade. This abuse became so flagrant that, when the Panama Tolls Act was passed by Congress, authority was given to the Interstate Commerce Commission to separate the railroads from their interest in all competing steamship enterprises. Railroads may still own water lines, but can only do so when it can be shown that such lines are in effect an extension of their land facilities and not of a nature to compete with the railways.

One unfortunate circumstance in connection with our policy of barring foreign ships from our coastwise routes was the enforce-

ment of rigid navigation laws by this Government. These laws are defensible, perhaps, in their relation to our purely domestic shipping, but it is obvious that we can not adopt one set of regulations for local vessels and another set for our trans-oceanic ships. The result is the application of severe regulations to all American shipping. They have had a depressing effect upon our overseas interests. These interests have found it difficult in all cases and impossible in many, to meet the competition of steamship lines operated under the more liberal laws of England, Japan, Germany, France, Holland and Scandinavia. A number of American steamship companies were compelled, as a matter of self-preservation, to register their vessels under foreign flags and to contribute to that extent to the total tonnage of our trade rivals.

One circumstance after another, therefore, militated against our shipping interests with the result that about the time of the Spanish-

American War we were stripped of practically all our deep-sea merchantmen. And it was the national emergency which arose from that war which brought us to an acute realization of our non-existence as an ocean carrier. I will discuss more fully a little further on the unhappy plight of our Government in its campaign against Spain, but it is appropriate to remark here that the Spanish War caused us to stop short and take stock of our helplessness with respect to a merchant marine. From that period until the outbreak of the European war earnest men have pleaded with Congress and with our people everywhere for measures that would restore us to a position of safety from a commercial, naval and military standpoint.

In spite of these appeals, however, we have made little progress. Our coastwise and our lake shipping have prospered, it is true, but we continued to withdraw from the over-seas trade until the passage by the

last Congress of the Ship Registry Bill gave a sudden impetus to our deep-sea industry. This step was taken, it must be remembered, under the stress of war conditions prevailing in Europe, and the ultimate effect of it cannot now be measured. For the present, it must be admitted that the Ship Registry Law was a move in the right direction, and if it had not been accompanied by other restrictive legislation upon the subject of ship regulation, it might have been far more effective. Details of these acts will be considered more at length in succeeding chapters.

The National Foreign Trade Council has prepared a comprehensive table, showing the relative positions of ship-owning nations on July 1, 1915, based upon steam tonnage owned per head of population. This includes only steamers of 100 tons or upward, except wooden vessels of the Great Lakes and Russian vessels on the Caspian Sea. This table is as follows:

Country	Population	Total steam Tonnage owned	Tons per capita	Trade per capita
Argentina	7,250,000	188,771	.026	$95.00
Austria-Hungary	50,000,000	1,016,695	.020	23.25
Belgium	7,500,000	269,252	.036	216.00
Brazil	23,600,000	302,513	.013	26.00
Chile	3,400,000	100,320	.029	75.00
Cuba	2,150,000	35,395	.016	118.50
Denmark	2,800,000	803,701	.287	116.00
France	40,000,000	1,909,609	.048	70.75
Germany	65,000,000	4,419,167	.068	67.25
Greece	5,000,000	892,991	.179	23.25
Holland	6,000,000	1,498,519	.250	419.25
Italy	35,000,000	1,513,631	.043	30.75
Japan	50,000,000	1,826,068	.036	10.00
Norway	2,400,000	1,977,809	.824	87.50
Russia	164,000,000	851,951	.005	8.25
Spain	20,000,000	885,755	.044	20.00
Sweden	5,500,000	1,021,796	.185	68.25
U. S. A. (sea, lake and Philippines)	92,000,000	4,854,748	.053	40.00
United Kingdom	45,250,000	19,235,705	.425	114.00
Uruguay	1,100,000	36,561	.033	77.25

WORLD'S MERCHANT MARINE.

	1915	1890	% Increase
Total tonnage (100 tons or over)	49,261,769	22,151,651	122.7
Total steam	45,729,208	12,985,372	252.2

U. S. MERCHANT MARINE.

	1915	1890	% Increase
Total tonnage (100 tons or over, exclusive of wooden lake vessels)	5,892,639	4,424,497	30.9
Total steam	4,854,748	1,859,088	161.1

This table is particularly interesting. It shows, for instance, that our total steam tonnage on July 1, 1915, was 4,854,748, or was second only to that of Great Britain, when as a matter of fact our over-seas tonnage is practically negligible. In other words, we have spent our money and our labor and have enacted our laws almost wholly in the interest of our lake and coastwise shipping. And for this one-sided policy there is no justification. We should, of course, have developed our local water transportation. That goes without saying, but, at the same time, we should have adopted measures that would have kept our flag upon the high seas, that would have expanded our foreign as well as our domestic commerce and would have given us standing among the great over-seas shipping nations of the world.

Another phase of this tonnage table is significant. In 1890 the United States had 20 per cent. of the total ship tonnage of the

world. In 1915 our share was only 11.96 per cent. of the total. In spite of the fact, therefore, that we are still second among maritime countries in the possession of steam vessels, we have lost considerable ground during the past 25 years. And this is not due to the fact that we have failed to develop our local marine to meet our local trade opportunities. It is due to the fact that other nations pushed ahead of us in the expansion of their foreign trade facilities. The bulk of England's 19,000,000 tons of shipping, of Germany's 4,000,000 tons, of France's 1,900,000 tons, of Japan's 1,800,000 tons, of Holland's 1,400,000 tons, of Sweden's 1,000,000 tons, is engaged in foreign commerce. The bulk of our 4,800,000 tons is engaged in purely interstate and insular trade. That is the difference, and a vital difference it is.

At the present time we have but a handful of ships on the trans-oceanic routes that *carry general* cargoes. There are a number

of vessels built for special lines of merchandise, such as oil tankers, which augment this fleet, but of those ships which have the most potential value as commerce developers we have but few. On the Atlantic, for instance, the American Line still operates the "Philadelphia," the "New York," the "St. Louis" and the "St. Paul." They are veterans of the sea and, on the theory of a survival of the fittest, should have passed to the scrap heap long ago. The United Fruit Line has recently placed the majority of its fleet under our flag, but, as is well known, they ply between the Atlantic and Gulf Coast ports and the American tropics, and cannot therefore be properly classed as over-seas tonnage.

The Pacific is almost barren of transoceanic vessels of American registry. The "Manchuria," the "Mongolia," the "Siberia" and the "Corea," of the Pacific Mail Line, have been disposed of to the International Mercantile Marine, an American

corporation which registers most of its ships under the British flag. Those majestic ships, the "Dakota" and the "Minnesota," of the Great Northern Line, have disappeared from the Pacific. The former was lost and the latter has been sold and is being transferred to the Atlantic. A few of the Dollar and Spreckels ships are still flying our flag, though Captain Robert Dollar, the head of his company, has announced that he will adopt the British flag and make Vancouver the home port of his vessels.

Such is the pitiable state of our once proud foreign marine. And such is its state at a time when the whole world is one huge market for American goods, when chaos reigns in all Europe, when war has laid its heavy hand upon our strongest trade rivals, crippling their merchant fleets or else taxing them to the very limit of endurance. With 100 great commerce carriers at our command, we could have added enormously to our national wealth during the past eighteen

months. With 500 ships we could have established ourselves in markets, near and remote, from which Europe could not drive us in a century.

Instead of 500 ships or even 100, however, we had at the outbreak of the European war but 15 vessels of 1,000 net tons and over regularly engaged in the trans-Atlantic and trans-Pacific traffic. They aggregated but 164,546 tons, and represented but one-third of one per cent. of the world's gross tonnage. On January 1, 1915, about six months after the war began, our total gross steam tonnage registered for the foreign trade, including everything under and over 1,000 tons and including all steamships admitted to American registry since the war broke out, amounted to only 1,061,676 tons, or a little over 2 per cent. of the world's gross tonnage. It was reliably estimated at that time, too, that somewhat more than 5,000,000 gross tons of ocean-going vessels of foreign register had been withdrawn from com-

mercial use. This included more than 3,000,000 tons of German and Austrian shipping; 1,700,000 tons of British shipping taken over by the Government for military purposes, and about 600,000 tons destroyed by mines and submarines. Since January 1, 1915, more than 1,000,000 more tons have been either destroyed or withdrawn under government charter. These facts serve to show us what opportunities we have lost.

Another circumstance in connection with our shortage of trans-Atlantic ships is worth mentioning right here. Until about fifteen months ago all passengers crossing the Atlantic under our flag had to travel as second-class passengers for the reason that the American Line accommodations were graded as second-class. Today these same accommodations are graded as first class. The demand for passage on the American ships is so great, on account of the safety and importance of our flag, that the steamship companies have classified their former second-

rate accommodations as first rate and are charging full first-class fare therefor.

Much has been said in this connection concerning the amount of ocean-going tonnage now under construction at our shipyards. The volume of building that is in progress has been urged as an answer to the demand that we take immediate steps for a restoration of our merchant marine. The argument has been made and will continue to be made, I have no doubt, that it is unnecessary for Congress to move further than that body has already gone, inasmuch as the old rule of supply and demand is working, as if automatic, in meeting our pressing need for ships. And the construction now going on is cited to support that argument.

It is freely admitted that the bare figures with respect to this construction are, at first glance, impressive. To say, for instance, as did Secretary of Commerce William C. Redfield, that on December 1, 1915, a total of 761,511 gross tons of ocean shipping was

under contract in American yards and that ninety-eight vessels of 3,000 tons and over were included in the list, would seem to be sufficient to meet our immediate requirements. Nor is it proper or possible to question these figures. They are collected through official sources and are based upon trustworthy reports from the shipbuilders and from the agents of the Department of Commerce. And before an analysis of these figures is undertaken the Secretary's summary should be presented, just as he gave it out. This is as follows:

Following is a brief summary of numbers of the larger ocean steamers which make up the great bulk of the 761,511 gross tons, classed as to size:

	10,000 gross tons or over	*7,000 to 10,000*	*5,000 to 7,000*	*4,000 to 5,000*	*3,000 to 4,000*	*Total*
Building or under contract on July 1, 1915....	8	5	19	4	10	46
Ordered between July 1 and December 1, 1915..	5	15	17	6	9	52
Total	13	20	36	10	19	98

But the face value of these figures is misleading in so far as they may indicate any great addition to our over-seas shipping.

We can accept as true the statement that a gross tonnage of 761,511 tons is under contract and that a total of ninety-eight ships of 3,000 tons and over are being built. But of this total not more than 100,000 tons will go into our general merchant marine. It is meant by that that not more of the tonnage than I have indicated will be used for the development of other than some special class of merchandise, such as oil or coal. To bear out this conclusion a further statement made by Secretary Redfield, showing the classes of ships that make up the total of ninety-eight, is presented. This is as follows:

OCEAN VESSELS OF OVER 3,000 TONS UNDER CONSTRUCTION IN THE UNITED STATES.

	Building or under contract on July 1st, 1915		*Contracted for between July 1st to Dec. 1st, 1915*		*Total*	
	No.	*Gross tons*	*No.*	*Gross tons*	*No.*	*Gross tons*
Colliers	6	25,475	5	25,610	11	51,085
Bulk oil	19	153,669	*28	195,330	47	348,999
General freight	19	93,774	15	72,434	34	166,208
Passenger and freight	2	9,800	4	30,228	6	40,028
Total	46	282,718	52	323,602	98	606,320

As shown above, eleven of the ninety-eight ships are colliers, to be used exclusively for the carriage of coal; forty-seven are tankers, to be used for the movement of bulk oil; thirty-four are general freighters, a majority of which are to be delivered to foreign owners or else used in our coasting trade, and only six of which are designed to carry both freight and passengers. The greatest volume of the tonnage under contract will be used for the shipment of oil, and four of these vessels, Mr. Redfield is advised, are being built for Norwegians.

A further analysis of the shipbuilding figures for 1915 develops the fact, according to the annual report of Commissioner of Navigation Eugene T. Chamberlain, that there is no extraordinary situation in our shipyards now as compared with that of recent years. On July 1, 1915, his report states that a total of sixty-two "seaboard" (as distinguished from "lake") vessels were under construction, with a gross tonnage of

294,138 tons. In 1913 there were seventy-one such vessels being built; in 1912 there were eighty; in 1910 there were sixty-three; in 1907 there were eighty-four, and even as far back as 1901 there were sixty-three under construction. In all, a fleet of nearly 900 steel vessels have been built in American shipyards during the past fifteen years, without adding anything of consequence to our over-seas tonnage.

It is not intended here to belittle the efforts that are being made by men of enterprise to enter the foreign trade—men who may be willing to risk their money in ships for this service. But the effect of misinformation with regard to the number of ships that are being built for this business is unfortunate. It encourages false hope on the part of the shipper and gives a false idea of conditions on the part of the legislator.

The same unfortunate impressions are possible in considering mere totals with regard to our documented tonnage and to the

increase in it by reason of the Ship Registry Act of August 18, 1914. For instance, it is shown by Secretary Redfield that on December 1, 1915, the total documented tonnage of the United States was 8,443,258 gross tons, represented in 26,888 vessels. This would seem to be enough ships for all possible purposes and needs of this country, yet, as has been shown, the fleet of ships in the over-seas trade is so small as to make us fairly blush for it.

Then again it is recorded that a total of 171 foreign-built vessels were admitted to American registry up to December 1, 1915, under the Ship Registry Act. These vessels have a total tonnage of 583,733 gross tons. This legislation would appear offhand to be a measurable solution for the whole merchant marine problem, yet it is a matter of fact that most of the vessels so registered were already owned in the United States and were either in the fruit or tanker service, or in some other special line of com-

merce, and, therefore, contribute but little to the volume of our general merchant marine. And during the same period that these one hundred and seventy-one ships were being placed under the American flag, a total of ninety-two vessels were transferred from the American to other flags, which gave us a net gain of only seventy-nine ships by reason of the Ship Registry Act.

That American shipyards are now unusually active is well known, and this is a condition of great promise. If we are to ever enjoy an expansion in our over-seas shipping, much of our tonnage must be built at home and practically all of it must be built here, while the war in Europe continues. The development of our shipbuilding industry should keep pace with the development of our deep-sea shipping, and it is a matter of importance to the whole country that our shipyards are not only engaged to capacity, but that they are increasing *their facilities.* The various phases of this

matter are summed up in the following extract from the 1915 report, dated July 1, of the Commissioner of Navigation:

"Our shipyards on the seaboard at the present time are more fully employed with the construction of merchant ships than at any time in our recent history, and the output for the year at present prospects will probably reach 400,000 gross tons. Very little new work is on the ways of the Great Lakes, and the output for the entire country, accordingly, will not be as great as in 1908, when 614,216 gross tons were built, and probably will not be as great as during the years 1901, 1902 and 1907, in each of which over 460,000 gross tons were built. On June 30, 1915, the seaboard yards reported that 62 steel vessels of 294,138 gross tons were under construction or under contract to be built, a tonnage which has not been approached at the corresponding date in the last 15 years except in 1901, when 63 vessels of 273,865 gross tons were so reported.

"The seaboard yards, with few exceptions, will be engaged to their full capacity throughout the calendar year 1916. Some are extending their facilities, and various projects to establish new shipyards are under consideration. The situation in American yards is thus satisfactory and the outlook for the future encouraging. Shipyards in the Netherlands, the Scandinavian countries, and also in Japan, are busier than in recent years. In the United Kingdom Lloyd's returns showed that on June 30, 1915, 442 vessels of 1,506,925 gross tons were under construction, compared with 477 of 1,722,424 gross tons on June 30, 914. Owing to the demands of the British Admiralty, however, merchant-ship construction is considerably retarded, and the British output in the near future will be considerably less than the figures just stated *indicate*."

HISTORY OF MERCHANT MARINE LEGISLATION.

CHAPTER II.

The American merchant marine has been legislated upon almost from the day our life as a nation began. The First Congress dealt with it, and practically every Congress since the first has considered some phase of our shipping problems. Moreover, the industry has from the start been made a political issue, and its fate bandied about by partisans for considerably more than a century. That this would happen, of course, was inevitable. No great national interest could be a matter of legislation in a country like ours without at the same time becoming a matter of partisan politics.

Nor is it strange that our merchant marine should have been brought before Congress almost as soon as that body began to *function under the* Constitution. In the

beginning of our national history our shipping was the most important single industry within the new-made republic. We had no railroads, no telegraph or telephones. Our only means of communication was by courier, and our only means of transportation was either by overland hauling or by water. We first settled at the water's edge, and during the whole of the colonial period we remained within reach of water. Water transportation was, therefore, our most natural and logical pursuit, and it grew to such proportions, relatively, that it overshadowed in importance any other individual interest of our people.

Under these circumstances it is not surprising that early Americans were jealous of their merchant marine and that as soon as their independence was achieved and they became a self-governing people they should take steps, first to protect their shipping, and next to expand it. And when the people divided into political parties it was

only natural that their differences of opinion upon questions of national policy should involve the merchant marine, as well as the tariff, internal improvements, a central bank and matters of taxation.

At all events, the shipping problem became one of first importance as early as 1789, and has remained a matter of legislative interest ever since. A Ship Registry Act was passed by the First Constitutional Congress, as was a discriminating duty law. These enactments have been modified from time to time, and others have been conceived with the view of encouraging our shipping. Many of the measures taken have been abortive. Some of them have actually been disastrous as applied to our over-seas commerce, and but few of them have permanently benefited the industry. As has already been pointed out, we have openly discriminated in later years in favor of our domestic shipping to the extent that

we are today without any definite policy regarding our foreign commerce.

In an effort to build up our shipbuilding industry, along with our shipping, we refused until a few years ago to permit a vessel to fly the American flag unless it was built in our own yards. For a considerable time we barred even the materials, through a high protective tariff. Our interest in American seamen, too, has resulted in enactments in their behalf that have made ship operation under our flag expensive, and in some respects made it impossible for our merchantmen to compete with those of foreign nations.

In the first half of the nineteenth century our over-seas shipping flourished, it is true. It may have been that our legislation was wiser then than now. It was certainly less restrictive, less burdensome, and to that extent it weighed less heavily upon the people who were willing to invest their money in an enterprise involving peculiar risks. It

must be said, too, that in the early days of our history other conditions than legislation played handsomely into our hands. We were masters at shipbuilding and masters at ship operation. We had an abundance of raw materials, and until the advent of the successful steamship we were not outclassed by any maritime nation.

The latter half of the last century was, however, marked by blunders inexcusable in their short sightedness and wantonly damaging in their effect upon our merchant marine. One handicap after another was placed upon our deep-sea interests, until at the end of the century we were practically driven from the field and were compelled to rely upon the vessels of alien flags for the movement of our foreign commerce. That condition is only slightly better now, but happily there is a marked change in the public mind with regard to the necessity of rebuilding a merchant fleet. Events within the past two years have brought this change

about, and it now seems certain that their influence will proceed still further and compel the adoption of a wholly new policy upon the part of Congress.

In fixing upon this policy our legislators will have before them as a guide our national experience of more than one hundred years. The mistakes of the past may be avoided. The futility of this plan or that is now manifest. The failures of other days may be carefully analyzed. A rare opportunity exists for genuinely constructive work in restoring us as a nation to a position of importance and of trade independence through the re-creation of a merchant fleet.

In reviewing the history of merchant marine legislation during the first century of our Government's existence I find but three definite policies that proceeded as far as our statute books. Many other laws were passed, but most of them were transitory in their effect or else without effect at all. The three vitally important enactments, each of

them epoch-making, may be described as follows:

1. The Ship Registry System.
2. Discriminating Duties.
3. United States Mail Compensation.

These laws, much modified, have in more recent years been re-enacted. Changing trade and shipping conditions have, of course, necessitated changes in the legislation bearing upon those interests. Other laws have also been enacted, in the light of newer conditions, each of them vitally affecting one phase or another of our shipping industry. Among them are:

1. The Seamen's Act.
2. A System of Ship Measurement.
3. The War Risk Insurance Law.
4. Panama Canal Tolls Exemption.

The most historic policy of a continuous character, dealing with our merchant marine, is that of ship registry. It was upon this subject that the First Congress legis-

lated a few months after George Washington was inaugurated. The burden of this law lay in a provision confining American registry to vessels built in the United States. That law remained in force just as it was originally drafted for nearly 100 years. Its effect was slightly modified in 1891, when Congress yielded to widespread demands and admitted to the American flag the British built liners "City of New York" and "City of Paris," now known as the "New York" and "Philadelphia." It was further provided in this Act that two additional vessels of the same or greater tonnage and speed should be built in the United States. The "St. Paul" and the "St. Louis" were accordingly constructed and entered along with the other two in the transatlantic service.

The story of American ship registry legislation, beginning with the original Act in 1789 and ending with the virtual repeal of the old statute in 1914, has been interesting-

ly told by United States Commissioner of Navigation E. T. Chamberlain. He discusses not only the economic phases of the old policy, but also the citizenship of crews provided for in the ancient statute. Mr. Chamberlain's review of this is as follows:

"The first Registry Act of Sept. 1, 1789, confined American registry to ships built in the United States. The right of American citizens, however, to own vessels built abroad has never been questioned, and was very clearly affirmed in the letter of Thomas Jefferson, Secretary of State, May 3, 1793. The policy of encouraging domestic shipbuilding adopted in the first years of the Republic had for its purpose the development of means of national defense rather than of protection of domestic industry in the sense in which these words are used in tariff discussions. To give effect to this policy, Congress at the outset passed legislation providing that only documented ships could engage in the trade of the United States, and divided these documents into three classes: First, the register for general purposes of trade and obligatory in foreign trade; second, the enrollment for vessels in the coasting trade; and third, the annual license authorizing a vessel for a year to engage in the coasting trade or in the fisheries, respectively.

"Vessels over 5 and under 20 tons were required to carry the license only. Foreign-built vessels owned by Americans could not lawfully carry any of these documents, and accordingly, could not engage in any form of trade with American ports except under prohibitory penalties. While this registry law doubtless contributed to the increase of American shipbuilding in the earlier years of the Republic, for the *last third of a century* it has been utterly impotent to promote building in the United States of ships for the foreign

trade. Without discussing reasons, a statement of the fact will suffice that modern steel ships for some years have been built more cheaply abroad than they could be built at home. Consequently, American capital desiring to invest in shipping has for years past purchased ships abroad. These ships could have sailed under the American flag in trade with all parts of the world except with the United States, where they would have been met with heavy penalties whether with cargo or in ballast.

"All nations prescribe as a condition to the use of their flag on merchant vessels that the owner shall be a citizen or subject of the country whose flag the ship flies. The citizen or subject may be, however, an entity like a corporation created by the State of which practically all the shares of stock may be owned by individuals of other countries. To enable their foreign-built ships to engage in trade with the United States, American capitalists for years past have organized in foreign countries such corporations, retaining themselves, of course, practically all the shares.

"The foreign-built ships representing American capital but under foreign ownership of record for some years past have been nearly equal in tonnage to the ships registered under the American flag for foreign trade, and in carrying power have been even greater. For many years all these facts have been quite familiar to those who have given the subject attention. All efforts to repeal the law, which was economically a dead letter, received little attention until the Panama Canal Act of Aug. 24, 1912. Section 5 of that Act provided for the admission to American register for foreign trade and trade with the Philippines, Guam and Tutuila, of foreign-built vessels, steam or sail, certified by the Steamboat-Inspection Service as safe to carry dry and perishable cargoes, not more than five years old at the time of registration.

"An extension of this Act, by repealing the five-year age limit, was recommended by the Secretary of Commerce in *March, 1913,* and a bill to give effect to this recommendation

was introduced in Congress but not acted upon until the outbreak of the Eurnpean war brought forcibly home to all the embarrassing situation in which we were placed by our own legislation. This legislation embarrassed us in the use of our own property at sea, which had been forced by it to employ flags and registers which conformed to statutes, but not to actual ownership. Accordingly, the act of Aug. 18, 1914, was passed. This act, though passed under stress of war, was in fact an inevitable development in the change of national policy which under ordinary conditions would have been effected as soon as Congress could have turned its attention to the subject."

[Under that act up to July 31, 1915, 150 steam and sail vessels of 528,408 tons gross have been registered. The list includes oil tank steamers, formerly under the German flag and owned by the Standard Oil Co., cargo steamers owned by the United States Steel Corporation, passenger and cargo steamers owned by the United Fruit Co., etc.]

"Under the Act of Aug. 18, 1914, foreign-built ships certified by the Steamboat-Inspection Service as safe to carry dry and perishable cargoes may be admitted to registry for foreign trade and trade with the Philippines, Guam, and Tutuila. Foreign-built ships not so certified under the policy enunciated by Jefferson and set forth in Article XX of the Consular Regulations can carry the American flag, but are not eligible for registry. In time it will be desirable to repeal the requirement for preliminary certification of seaworthiness and substitute for it the general system of inspection under the laws which have been suspended by Executive order until Sept. 4, 1916, in the case of foreign-built vessels admitted to registry.

"The Act of March 3, 1813, prohibited the employment on board of any of the public or private vessels of the United States, of any person or persons except citizens of the United States, or persons of color, natives of the United States, and the Act of March 1, 1817, prohibited the payment of fisheries

bounties to vessels unless the officers and at least three-fourths of the crew were citizens of the United States or persons not the subjects of any foreign prince or state. The Act of May 31, 1830, exempted from tonnage duties vessels of the United States of which the officers and two-thirds of the crew were American citizens. This gradual decrease in the rigid requirement of citizenship of all those employed on vessels of the United States culminated in the Act of June 28, 1864, which repealed the requirements as to the citizenship of the crew, retaining only the provision 'that officers of vessels of the United States shall be in all cases citizens of the United States.' The limitation of crews to citizens was repealed as a necessary measure to the maintenance of the merchant marine.

"Under the Executive Order of Sept. 4, 1914, pursuant to section 2 of the Ship-Registry Act of Aug. 18, 1914, the alien officers on ships admitted to registry may serve until Sept. 4, 1921, and any vacancies may be filled without regard to citizenship up to Sept. 4, 1916. In numerous cases the officers of these ships are American citizens and have been for some years. In 1854 Great Britain repealed the law requiring the officers and crews of British ships to be British subjects. In fact, until this Act was passed the earlier Act of 1849, giving British registry to ships built outside of British territory, had relatively slight effect. The laws of Germany, Norway, the Netherlands, Belgium, and Denmark also do not restrict the officers of merchant vessels of those nations to their own subjects. In fact, the rigid limitation of those employed on shipboard to citizens or subjects of the country whose flag the ship flies is not general outside of France, Italy, and Latin countries."

A Discriminating Duty Bill was passed by the First Congress as a companion measure to the Registry Act, each of them de-

signed to strengthen our merchant marine. These twin policies have been pursued in varying degrees since the beginning of our Government. Their effect, on the whole, however, has been far from successful. As has been pointed out by Mr. Chamberlain in the foregoing review, the Registry Law has had a value in developing our domestic shipping, but it has not contributed to the building of vessels for the over-seas trade.

The enactment of a discriminating duty system has fallen as far short of its original purpose. It is true that by reducing the tariff on products imported in American bottoms in the earlier history of our merchant marine, we were able to give the industry a firm foundation. We were later impelled to repeal the law, however, in order to enter upon a reciprocity agreement with other maritime nations. Our shipping at that period was able to survive this loss of support through the advantage of other favorable conditions, but when the decline

came it was not found advisable to re-enact the discriminating duty plan. Not until the Underwood Tariff Act of 1913 was passed did Congress venture upon another experiment of that sort, and this, as will be shown later, has given no impetus whatever to our merchant marine.

In 1789 the first Discriminating Duty Act was passed by Congress, providing that all importers should have a discount of ten per cent. in customs duties on all goods entering the United States in vessels owned wholly by citizens of the United States. This had a beneficial effect at that time and resulted in most products purchased abroad being delivered in American bottoms. A year later Congress proceeded still further by the passage of a law re-enacting the ten per cent. discount, but raising the duty on all goods imported in foreign vessels ten per cent. This compelled the importer who used alien ships to pay 20 per cent. more tariff on his goods than the importer who used American ships.

Under this plan the merchant marine prospered to the extent that fully 90 per cent. of all our foreign trade was for a time carried by our own merchant fleet, and if the discrimination had continued upon this 20 per cent. basis, it is possible that we should have remained supreme upon the seas. It is obvious, however, that diplomatic difficulties were to be experienced in maintaining this policy. Foreign nations began discriminating in like measure against our ships, and a period of strained trade relations began. When terms of peace, following the War of 1812, were under consideration, therefore, our Government found it necessary to accept a proposal of trade reciprocity. Consequently, Congress in 1815 amended the original Act, removing the ten per cent. discrimination against such nations as admitted American ships to their ports upon an equality with their own vessels.

In the years following trade treaties were

entered into with various maritime nations, and successive Acts of Congress finally ended in the general repeal of the ten per cent. discrimination in favor of our own ships. By 1830, therefore, we had abandoned the policy entirely both with respect to the tax upon foreign ships and the favored duty with respect to our own. But, as already stated, our merchantmen continued to do business, through the superiority of the clipper packets, until the Civil War resulted in a partial paralysis of our whole marine interests.

From time to time during the intervening years proposals were made in Congress for the resurrection of the discriminating duty policy. Not until 1913, however, did these moves crystallize, and then in only a mild form. The Underwood Tariff Act contained a provision granting a five per cent. rebate on all dutiable goods imported in American ships, but it included a condition that nothing in the law should have the ef-

fect of abrogating any treaty concluded between a foreign nation and the United States. This condition has practically vitiated the whole measure and has for the time completely tied it up in the courts, pending a decision as to the volume of imports which it will ultimately involve. The discrimination section as passed by Congress is as follows:

> "That a discount of five per centum on all duties imposed by this Act shall be allowed on such goods, wares, and merchandise as shall be imported in vessels admitted to registration under the laws of the United States: Provided, That nothing in this subsection shall be so construed as to abrogate or in any manner impair or affect the provisions of any treaty concluded between the United States and any foreign nation."

It has now been held by the lower courts that the above section of the law not only applies to the commerce imported in American ships, but likewise to all vessels owned in countries with which the United States has "favored nation" treaties. These treaties guarantee imports in alien ships treatment as favorable as is accorded merchan-

dise carried in American bottoms. Treasury experts have figured that if such a construction is finally placed upon the law, the Government will lose fully $25,000,000 a year in duties and will nullify any benefit which the discrimination was designed to give American shipping.

It was, of course, the purpose of those who advocated the enactment of a discriminating duty to aid the merchant marine. Yet the fact has been developed since the passage of the Underwood Act that most of the goods imported into this country which might be carried in over-seas vessels, are free of duty. When in the beginning of our Government the ten per cent. discrimination was conceived, practically everything received in this country was dutiable, and the effect of the law was very important. In our time, however, when even bulk sugar, for instance, is about to go upon the free list, the discriminating duty system merely benefits a few importers and takes

heavy toll of our Federal revenue without any corresponding benefit to our merchant marine. In other words, the old plan is no longer a success, and we must turn to other policies if we are to give substantial encouragement to our shipping.

The people of the United States have ever been hostile to the proposal that the Government grant direct subsides either to inaugurate or to build up our ship service. They have not hesitated to otherwise tax themselves in behalf of a merchant marine, but the very notion of a subsidy or straight-out bounty was and still is abhorrent to them. Indirectly, of course, the money of the people has repeatedly been levied upon in behalf of our shipping interests. We have built canals, deepened harbors, discriminated in their favor in our tariff laws and have barred foreign-owned vessels from our registry. All these measures have in one way or another involved the people's money, but they were never damned by the odious term "subsidy."

The nearest that we, as a government, have ever approached the direct subsidy, was in the enactment of our earlier ocean mail compensation laws. Under them money was made available for the delivery of our mail matter at given points. This delivery, of course, involved nominal service on the part of the ships in question, but not service remotely proportionate to the compensation which the government paid or was willing to pay. As a matter of fact, all our ocean mail pay acts prior to 1891 were conceived as ship subsidies, by whatever polite name we may wish to call them. And this is not to say that they were unjustified. On the contrary, they were justified by every conception of good government. Moreover, the sums set forth should have been increased to such extent as would have given them effectiveness.

But the point now being made is that the earlier ocean mail compensation laws were actually ship subsidies, that they were so de-

signed and their effect so understood. For confirmation of this statement it is only necessary to glance at the record of our ocean mail acts. England was the pioneer in this form of merchant marine encouragement. She adopted the plan while casting about for a means of fighting American clippers. In 1838 the British Government abandoned its policy of carrying the mails in naval vessels and entered into contracts for its delivery at various ports in North and South America, the West Indies and India. These contracts resulted in the organization of the Cunard, Royal Mail Packet, Pacific Steam Navigation, the Peninsular and Oriental, and other leading steamship lines yet in operation.

In order to meet the competition which this mail service gave, Congress in 1845 enacted the first American law providing for carriage by merchant ships of the United States mails. The year following the Post-office Department launched upon the new

policy, when a contract was entered into between the Government and the Ocean Steam Navigation Company for carrying the mail to Havre and Bremen. The compensation to be paid was $100,000 a ship each year, with sailings every other month for Bremen, and $75,000 a ship per year for sailings every month to Havre. Subsidies amounting to $258,609 were paid out of the Treasury under this contract.

One year later the American experiment was carried still further, when another law was passed providing for ocean mail service from New York to Liverpool and from New York and New Orleans to Chagres, on the Isthmus of Panama. From the Isthmus the service was to be continued up the Pacific Coast to California and Oregon. Almost immediately the Liverpool contract was awarded to Collins & Company. The specifications provided that $19,250 per voyage should be paid and that two voyages each month during eight months should be

made, and one voyage a month during the winter season. The service was actually inaugurated in 1850, but it was soon found that the contractors could not make ends meet. The contract was thereupon amended, increasing the pay to $33,000 per voyage. A year later the rate was reduced to the original figure, and in 1857 the contract expired. Shortly afterward Collins & Company failed and their ships were withdrawn.

In later years other mail contracts were entered into by the Government, with more or less success. The New York-Chagres service was paid for at the rate of $190,000 a year and was performed by the Sloo Line, later known as the Atlantic Mail Steamship Company. The Panama-Oregon contract provided for the payment of $199,000 a year for one sailing a month and was awarded to the Pacific Mail Steamship Company, a corporation still in existence. For ten years this company received as bounty a total of $3,750,000. When China opened

her ports to the world the Pacific Mail applied for and was given a contract for mail service to the Orient at the rate of $500,000 a year for deliveries at Hong Kong, Yokohoma and Shanghai. Before this contract expired it cost the United States Government a total of $4,583,333. While the first Oriental service of the Pacific Mail was yet in operation that company asked for a further subsidy of $500,000 a year for additional deliveries of mail to China and Japan. This was authorized in 1872, but was abrogated in 1875, at which time the old policy of mail subsidies was abandoned.

An Act of Congress passed in 1872 was designed as a substitute for the old mail subsidy system. This measure allowed a sum not to exceed the "sea and United States inland postage" for the transportation of mails in American vessels and a sum not to exceed "the sea postage" to alien ships. The latest Ocean Mail Act was passed in

1891 and rearranged the rates of pay on a mileage basis. These rates are as follows:

I class—Vessels of at least 8,000 tons and 20 knots speed, $4 a mile (available to Great Britain only).

II class—Vessels of at least 5,000 tons and 16 knots speed, $2 a mile.

III class—Vessels of at least 2,500 tons and 14 knots speed, $1 a mile.

IV class—Vessels of at least 1,500 tons and 12 knots speed, $0.6666 a mile.

Under the Ocean Mail Act of 1891, vessels which claim compensation must be built under specifications approved by the Navy Department, except in the case of those ships of the fourth class. These may be built of wood. During the 1915 fiscal year the Government paid a total of $1,096,209 for services under the present law. Since 1892 a total of $23,863,487 has been paid to the various lines carrying the mails under the current system. There are substantial opportunities for our merchant marine under this law, but they have never been fully realized, or if realized, they have never been taken advantage of.

It has been shown that the ocean mail contracts as originally conceived failed to stand the test of time. While the Act of 1891 is still in effect and many of its provisions open up possibilities to our shipping, it is not now being used for the direct purpose of encouraging over-seas navigation. Other legislation has been enacted during the period of our experimentation with bounties which have had a very important bearing upon our shipping industry. I refer to the Measurement Law, the War Risk Insurance Act of the last Congress, the Free Tolls Clause of the Panama Canal Act, the removal of the tariff on ship material and the Seaman's Act. The most important of these, from many points of view, is the last named, and attention will be given to it next.

The Seaman's Act has been widely condemned and as widely championed. And the truth is that it is both good and bad. It has undoubtedly provided better conditions for our seamen and vitalized our system of

safety at sea. It has at the same time imposed considerable burdens upon our shipowners and has, in some instances, made it difficult, if not impossible, for them to operate under our flag. From my study of this measure, a study guided by a practical experience in the shipping business, I am convinced that it should not be repealed, but that it should be materially modified in some important particulars.

First of all, I would repeal Section 4, which demands the payment of one-half wages earned to our sailors at every port. This provision unfortunately encourages desertion, without any corresponding benefit. It makes it possible for our sailors to abandon a ship at times when they may be most needed, thereby seriously handicapping the handling of freight, passengers, and the United States mail.

Section 13 is also objectionable, though its effect has been materially modified by *rulings of* the Department of Commerce.

This section provides that 75 per cent. of the crew in each department shall understand the language in which orders are given by officers of the vessel. It also provides methods of employment of able seamen and requires that certain percentages of the deck crew shall be able seamen. Moreover, it gives the collector of a port authority to withhold clearance to any ship, on the sworn information of a private citizen. The language test is obviously designed to prevent the employment of Japanese and Chinese, and to compel the payment of much higher rates for the seamen which a ship-owner may engage. As stated, however, the Department of Commerce has rendered this section less onerous by a liberal interpretation of the law.

If there were enough able seamen to go around, there could probably be no objection to the section which requires that certain percentages of the deck crew have able seamen rating. It is well known that at

present we have not enough sailors of this class to man all our vessels. It would seem unnecessary to give a collector of customs authority to withhold clearance from a vessel upon the sworn statement of a private citizen, to the effect that such ship is not properly manned. These officials could be relied upon to do their full duty without placing dangerous power in the hands of any irresponsible person who might be willing to subscribe to an oath.

Section 16, providing for the abrogation of the treaties with foreign nations which might be in conflict with the Seaman's Act, has no proper place in this law. The State Department can be relied upon to handle any negotiations arising out of this conflict, and it is wholly unnecessary to write upon the statute books such an abrogation. It is not unlikely that the Seaman's Act will cause friction and result in retaliation, but these are delicate matters of diplomacy and *should not*, in my judgment, have been de-

liberately anticipated in the passage of the Act.

That part of Section 11, making the provision of the Seaman's Act as to advances to the men, applicable to foreign ship masters, should have been omitted. It is not the duty of this Government to dictate to foreign nations what rules they shall adopt in the payment of their ships' wages. It is doubtful, in any event, if we will ever be able to enforce this provision.

It is difficult to find reasonable grounds for objection to that section of the Seaman's Act which provides for the filling of vacancies caused by desertion or casualty; that providing how vessels shall be manned and the division of the crew into watches; that for paying off the men; that allowing complaints to American consuls in foreign ports; that providing certain space for the crew; that defining discipline and penalties for infraction; that defining the duties of consular officers; that abolishing flogging

and other forms of corporal punishment; that providing for increased allowance of butter and water; that for the attachment of wages; that covering life-saving appliances; that with respect to reports of accidents, and that prohibiting arrest for desertion.

Another subject of interest, but of little or no controversy, is that of ship's measurement for tonnage. This matter is of importance, inasmuch as it vitally affects the carrying capacity of a vessel and is made the basis for practically all taxes, all port dues and other levies upon a vessel. Many complaints have been made against the higher net measurements imposed upon steamers at American ports than those appearing upon European registers of such ships. These complaints are only in a measure founded upon fact. By an Act of Congress in 1895, the measurement laws of the United States, England, Germany and other maritime nations were substantially harmonized. The *only* important difference was that this

country did not exempt open-shelter deck spaces from the net register. This difference remained in effect until the passage of the Ship Registry Act of 1914. That Act provided that the original measurements of naturalized foreign-built ships should remain, whereupon the Bureau of Navigation adopted regulations for all American ships, putting the shelter deck spaces upon the same measurement basis as that of vessels admitted under the new Registry Act.

As the measurement laws and regulations of the United States exist today, the tonnage basis for charges on an American ship are no greater than on a foreign ship. In some respects they will be much less, as in the following cases:

1. The American law imposes no charges on deck cargo similar to the British charges.

2. Spaces adapted only for water ballast (other than the double bottoms) are not included in gross tonnage under the Act of February 6, 1909, while they are so included under the British system. Double bottoms for water ballast have not been included in the gross tonnage since the Act of March 2, 1895, which accords with the general practice of maritime nations.

3. Under Section 4151 of the Revised Statutes no part of a vessel that is used for cabins or staterooms and constructed entirely above the first deck, which is not a deck to the hull, is included in the gross tonnage.

4. The deductions for propelling power, under the British Act of 1907, can not exceed 55 per cent. of the gross tonnage after certain minor spaces have been subtracted. Our law contains no such limitation on the deduction for propelling power.

One of the highly important Acts of the last Congress was the passage of a law creating a War Risk Insurance Bureau of the Government. This was an emergency measure, designed to meet a crisis in our trade history. With extra hazards upon the seas for vessels of all types and all nationalities, the private insurance companies either refused to insure ships and cargoes at all or else exacted rates that were so exorbitant as to make them prohibitive. Congress did not hesitate in meeting this situation, but at once brought forward and passed the law creating the present War Risk Bureau of the Treasury Department.

The value of this institution can be measured by the results of its first year's opera-

tions. From September 2, 1914, to November 10, 1915, slightly more than 14 months, policies were placed upon war risks aggregating $89,245,000. A total of 1,238 policies were written, an average of nearly one hundred a month. The total net premiums received by the Government amounted to $2,127,976. The net losses paid amounted to $695,984, leaving a surplus of $1,431,992. This is a most creditable record and gives a clear idea of the value, or rather the necessity of the Government's acting in behalf of a great national interest, when private capital cannot or dare not perform the service.

A very decided step in the interest of a greater merchant marine was taken in exempting American ships from the payment of tolls for the use of the Panama Canal. At the time this law was passed sentiment seemed almost unanimous in its favor. Only the transcontinental railroads were bold enough to condemn it, and their attitude was one of indefensible self-interest. If the ex-

emption provision had remained in effect, it would have made possible a tremenduous traffic between the Atlantic and Pacific coasts, a traffic utterly divorced from the competing railroad lines. Another provision of that law prohibited any railroad from owning or controlling any part of a steamship company using the canal. Even now, with the exemption repealed, our shipping enterprises have a great opportunity in the development of inter-coastal commerce.

A much belated piece of legislation was that of 1909, amending a law of 1871, by freeing from duty all materials imported into this country for the construction of vessels to be used in the American merchant marine. This enactment was intended to stimulate shipbuilding and at the same time promote the upbuilding of the over-seas merchant marine. At that time, and on down until the passage of the Ship Registry Act vessels of foreign construction were barred from the use of our flag. It helped a great

deal, therefore, to be able to import ship material, though the finished product itself was outlawed. The 1909 amendment provided, incidentally, that no ship built from duty-free material should engage in the coastwise trade for a longer period than six months each year, unless upon the repayment of the remitted duties.

It is apparent from this brief review of our merchant marine legislation that we have lacked wisdom in dealing with this important industry. We have built up time and again, only to tear down. We have had, but we could not hold. The measures of the past and those of the present are not sufficient. We must set ourselves to the task of framing a new policy if we are to achieve the results for which the whole country is waiting.

COMMERCIAL POSSIBILITIES OF A MERCHANT MARINE.

CHAPTER III.

For nearly half a century this country indulged the vain hope that it could get along without a merchant marine; that it could sell goods abroad and deliver them; that general trade routes were so firmly established that they could not be disturbed, and that, in any event, we could go into the markets of the world at any time and get plenty of ships if we needed them. This was the point of view of an overwhelming majority of our people for fifty years after the close of the Civil War. We seemed to manage somehow without over-seas shipping, they observed, and they could not be made to believe that the future would fail to take care of itself.

Very suddenly our illusions were swept away. The war in Europe deluged practically all of that continent in a sea of

blood, and at the same time altered trade conditions throughout the world. Though we remained at peace, we did not escape the effects of this martial earthquake. All at once we found ourselves practically isolated in so far as our foreign commerce was concerned. Every merchantman of the Central Powers disappeared from the seas, and those of the Allies which remained available for cargoes ventured beyond our own waters at their peril. Our ports became choked with freight that could not be moved. Our railway yards became crowded with loaded cars and embargoes were resorted to by the land carriers to prevent a complete traffic blockade.

In twenty-four hours, therefore, we found that we had been not merely shortsighted, but actually blind in our reliance upon alien ships for the transportation of our products to foreign markets. We found that our greatest national need was a merchant marine, and for our failure to provide it we

were compelled to pay a frightful penalty. No nation has ever been taxed as have we for a sin of omission. No great people ever paid so high a price for a delusion.

But we have learned our lesson, costly though it was. We have learned that an American merchant marine is a vital necessity if we are to ever enjoy commercial security. Its value as a naval and military auxiliary may be purely collateral, and in fact is often so regarded, but its value in the maintenance of our trade relations with other peoples is primary and fundamental. This is a fact which every enlightened man now accepts and which every progressive government in the world recognizes. Commerce and ships are interests that are inseparably associated. The successful pursuit of the one is impossible without the other.

Moreover, we now have a clear understanding of the fact that if our foreign commerce is further to expand, we must promote it as other nations have promoted

theirs. We must have our own ships. Greater trade opportunities invite us now than ever before in our history. Latin America and the Orient beckon to us. They are clamoring for a chance to do business with us, but they expect us to be in a position to ship our goods, and we must not fail to provide our delivery facilities. England and Germany never failed their customers in that respect.

Prior to the outbreak of the European war there was a measure of doubt in this country as to the actual importance of a merchant marine as a developer of foreign trade. Those who held this view pointed to the fact that our over-seas trade seemed to expand in natural proportions without the use of American ships; that ocean rates given to American goods by alien ships seemed to be reasonable enough; that cargo vessels seemed to be available in sufficient tonnage to haul all we had to ship, and that it seemed foolish for Americans to invest

millions of dollars in a fleet of merchantmen when the additional facilities were not needed.

Happily, however, there are but few such doubters left. There are but few thoughtful men, if any, who do not now realize that if we as a nation had possessed a merchant marine, our foreign trade would have been far greater at the commencement of the war than it was. There are but few left who do not now understand that the ocean rates we had were fixed just as high as the traffic would bear, and that the number of ships given us by the foreign companies was the exact number left over after the freight of their own countries was handled. These are not theories. They are conditions known now and known then to every American shipper, if not to every American producer.

It has ever been the policy of the maritime nations of Europe to favor their own trade. The merchant fleets of these nations *were* created just for that purpose. Many

of them were given direct subsidies by their governments, not for the sentimental purpose of seeing their flags upon every sea, nor for the altruistic purpose of adding to the national wealth of neighboring countries, but for the sole purpose of developing markets for themselves. Those companies that were not paid straight subsidies were aided by means of mail contracts, subventions, preferential duties, stock subscriptions or in other substantial ways. And every one from first to last which enjoyed this paternalism was naturally required to place its facilities at all times at the disposal of its domestic commerce, and its ships, whenever needed, at the command of the military branches of its government.

It was just the operation of that policy which forced upon us the gravest crisis which this or perhaps any other nation at peace has ever undergone, a crisis which required all our resourcefulness as a nation to meet. At the outbreak of the war the

belligerent governments either forced their vessels to cover or else forced them into the military service, and for a period ocean carriage was practically impossible. It was this condition which resulted in the first conference of business men in Washington, called at the instance of Secretary of the Treasury William G. McAdoo. This was held in August, 1914, and its proceedings were epoch-making. Out of it came the Ship Registry Act, whereby any merchant vessel afloat might seek the protection of the American flag. And on the heels of that came the War Risk Insurance, an emergency measure, promising a security to ships and cargoes which private companies dared not give.

This historic conference and the events which brought it to pass caused a re-awakening throughout the entire country of the demand that we emancipate ourselves once and for all from the shipping bondage *of Europe,* that we take immediate and ef-

fective steps to provide our own over-seas service, and that we forever remove ourselves from the possibility of such conditions as we faced in the fall of 1914. Farmers whose harvested grain lay in the fields, refused by the elevators and unmarketable at home or elsewhere; manufacturers whose warehouses were filled with unsold goods; transportation officials whose tracks were burdened with freights; exporters whose docks were piled high with perishing cargoes, all these interests demanded measures that would first meet the immediate and pressing conditions, and next, relief that would meet all future contingencies.

Our Government moved as rapidly and as successfully to that end as any government could. But its action would have been almost futile but for the fact that Europe soon found it must have the goods that we had to offer. This circumstance alone saved the situation for our people. With their own domestic sources of supply

diminished and their over-seas sources for the time being cut off, England, France and Russia were compelled again to enter our markets and to provide the ships for transporting the supplies and munitions necessary to carry on their war. That is the sole explanation of the trade resumption which has marked the past fifteen months. Our own pitiable merchant marine has contributed but little to this transient prosperity.

Regardless of the necessity which forced Europe to turn to us for the products of our farms and mills, she has, however, been unable to provide ample transportation facilities to meet her own demands. Less than a year ago it was found that fully 6,000,000 tons in mercantile ships had been withdrawn from the world's commercial activities, and since that time fully 1,000,000 additional tons have been lost to trade. This shrinkage has had the immediate effect of inflating ocean rates to such an extent as to be literally prohibitive against certain classes of mer-

chandise. All commodities of whatever class are now and have been for sixteen months paying enormous rates. For the present, Europe is meeting this self-imposed transportation tax, but the day must come, unless we find means of guarding against it, when we ourselves must pay our share. With this appalling shortage in vessels, a shortage that must grow more pronounced as marine losses continue to pile up, every exporting and importing nation that is dependent upon the contracted shipping facilities will be assessed its proportion of the increased rates. This is economically inevitable.

And right here it seems appropriate to recall the fact that during the entire period when we have been without a merchant marine of our own, we have been paying out hundreds of millions of dollars a year to foreign shipowners in freight charges. It has been frequently estimated that during the ten years prior to the war in Europe we contributed an average of $300,000,000 annually

to the earnings of foreign steamship corporations. This total may be a little excessive, and some small percentage of the amount paid out may have returned to our shores for the maintenance of terminals, etc., but at all events we fattened the purses of our maritime neighbors to the extent of $150,000,000 a year.

It does not take a lightning calculator to figure out that this sum would have handsomely supported at least 1,000,000 tons of American-owned shipping if we had possessed it, and if that shipping had been enabled to operate upon terms of approximate equality with our marine rivals. As conditions have existed, however, we have generously deprived ourselves of these millions that we might promote the prosperity of alien steamship companies.

That singular doubt, lately in the minds of many thoughtful Americans as to the real value of a merchant marine in normal times, to such a country as ours, should be

a little further dwelt upon. These men, of course, realize now that shipping facilities are vital to us at a time when other maritime nations are fighting each other, just as they have understood all along that they would be vital if we ourselves were at war. That much has been fully comprehended by everybody capable of successful thinking, yet they have failed to see the importance of over-seas shipping to a country conditioned as is ours, at a time when all the world is at peace.

If our own experience as a nation does not carry conviction as to the value of over-seas shipping in all seasons, normal or abnormal, it is only necessary to refer to one or two other examples of foreign trade expansion in relation to marine enterprise, in order to reassure any man who really wants to know the truth. It may not be enough, as just suggested, to cite the fact that the United States enjoyed only such prosperity, during our early history, as came to it

through its foreign commerce, carried on by its own shipping interests, but the concrete facts about Germany and Japan should be convincing. These two countries are selected because of their remoteness from each other and because of the wholly different conditions under which their over-seas commerce was promoted.

It is a matter of recorded history that the expansion of German and Japanese foreign commerce during the past two decades was coincident with the extension of their merchant marine. Moreover, it is a matter of fact that the increase in the one is in almost exact proportion to the increase in the other. It is difficult, therefore, to escape the conclusion that they were interdependent and that neither would have thrived without the other.

Take the case of Germany. Thirty years ago that empire was just recovering from the throes of the Franco-Prussian War. Its people were feeling afar for an opportunity

to share in the world's trade, and having achieved a wonderfully productive industrial system at home, launched upon a campaign for foreign trade expansion. By 1885 the beginning of a merchant marine had been accomplished and approximately 520,000 tons in shipping was registered under the German flag. At that time the German exports amounted to $681,000,000. By 1913 the tonnage had increased to 2,681,000 tons, and during the exact same period the exports from Germany increased to $2,400,000,000.

The experience of Japan is scarcely less striking or conclusive. Thirty years ago that country entertained no aspiration for commercial power. Its interests were largely domestic or else confined to the Orient. In 1890, however, the wise men of Japan began to look over the Eastern horizon with hopeful eyes. They found that the American flag had almost disappeared from the Pacific, and the ambition possessed these

shrewd Nipponese to capture what we had lost. In that year the Japanese tonnage was only 123,000 tons and the exports amounted to only $49,000,000. In 1913 the tonnage had jumped to 1,507,000 and the exports to $315,000,000.

No more remarkable instance of the success of Germany's trade and marine policy has ever been cited than that told by Mr. W. E. Aughinbaugh in his excellent book, "Selling Latin America." This author, after first detailing the processes whereby German salesmen went into South America and gained a measure of the Latin business, shows how futile was their work until the German nation created a means of delivering their own goods. In this connection Mr. Aughinbaugh says:

"As orders began to come in and were ready for exportation Germany suddenly realized that she was confronted with a problem which she had not seriously considered before—that of a national merchant marine. Without ships this vast business, now practically acquired, was at the mercy of the foreigner, who had vessels in which to convey to the markets across the seas. With exorbitant freight

rates which were beginning to be charged, as cargoes multiplied and ships became scarce, it became obvious that all this newly secured trade would be seriously jeopardized, if not completely lost, unless the entire situation was under the absolute control of the Government and in the hands of the German people. Accordingly, the State took up the question, and, to make a long story short, the result was a development of the enormous German merchant marine, perhaps the most complete and perfect in the world, with the subsidies from the national treasury, which enabled ship-owners to quote a freight rate per ton so low, that it was cheaper to ship German-made goods to Valparaiso, than from Hamburg to many of the interior cities of the Fatherland for home consumption. This last stroke of generalship in this business campaign for commercial supremacy gave Germany the greatest impetus toward reaching the goal upon which her eyes were fixed and, as a result, her export trade, as well as her import trade, increased by leaps and bounds, making her the envy of all Europe, a condition which, in the opinion of many people, undoubtedly had much to do with precipitating the European War."

It would seem unnecessary, therefore, in the light of these facts and others just as impressive respecting Scandinavia, Belgium, France or Holland, to argue that ships and commerce go together—that trade follows the flag. Every practical business man knows that it does, every traveler, every economist and doctrinaire knows it. Yet in many quarters there is a reluctance to accept the maxim and a willingness that we as a

nation shall continue to drift along without a definite policy for the future of our shipping industry. Fortunately, that element of our people who yet hold to this view are relatively without importance. Practically all the business interests in the country are united in a demand for decisive action. This demand was forcibly voiced by the Chamber of Commerce of the United States when that body went on record in the following declaration:

"No question now confronting the nation is so necessary to follow to a successful conclusion, none so essential to our prosperity and benefit as a commercial power, and of such importance in our ultimate relationship with the outside world, as the upbuilding of an American Merchant Fleet.

"Our export and import trade has grown with tremendous strides, and will continue to expand rapidly. Our people demand that it should be safeguarded, and no longer left to unknown vicissitudes and to shipping facilities certain to fail us in a world's crisis. The European war has opened the eyes of the country to a full realization of the unwisdom of past indifference and delay, and the wish is universal that effective laws shall promptly be passed to remove this national peril.

"The objects sought to be accomplished are the establishment of mail, passenger and freight lines to foreign countries and our own dependencies, as well as the upbuilding of a general mercantile fleet, so as to overcome the disadvantages and loss under which we have labored in allowing

the carrying of our merchandise to remain almost entirely in the hands of aliens."

We have realized for fully a quarter of century that the countries of Latin America open up to us the most inviting field for commercial conquest ever spread before any nation. We enjoy a natural proximity to these republics wholly to our advantage. We have had a neighborly interest and sympathy in their institutions which should have united us in enduring bonds. Our public men have felt the warmth of their hospitality again and again, and their high officials have as often felt the cordiality of ours. There has been and now is the fullest measure of reciprocity between the United States and the republics of Central and South America along every line except that of commerce.

And if our trade opportunities in Central and South America were promising before the war in Europe, they are tenfold more promising now. Great Britain and Ger-

many for two decades have exploited the business of the Southern republics almost without a thought of competition from us. For instance, in the year preceding the war Great Britain, Belgium, France, Austria-Hungary, Germany, Italy and Russia shipped goods into South America valued at $677,767,000, and Austria-Hungary and Germany alone exported to that continent products worth $197,000,000. In the same year we exported to South America merchandise valued at only $166,000,000. Since that time Europe has withdrawn in large measure from this business. Only intermittent steamship service is maintained between the South American ports and those of Europe. Not a German or Austrian ship is running, and not a dollar's worth of goods from the Central Powers is being shipped into the Latin American markets.

The whole field is wide open to us. We have only to step in and seize the business, yet are unable to do it. We have no car-

rier service of our own worthy of the name, and the foreign service which we formerly relied upon has, of course, been crippled by war conditions. The question of credit and exchange is no longer a problem. Under the Federal Reserve System we are now enabled to establish the closest financial relations with these markets. We may extend to them the accommodation which Europe formerly extended. We can make the goods that they need and which they are urging us to send them. Every condition is favorable except that of transportation.

Director-General John Barrett, of the Pan-American Union, in a public statement, has cited the fact that American business men are more than eager to grasp the opportunities that are offered in Central and South America. He points out that between 1907 and 1914 the total commerce of the Latin countries increased from $1,800,000,000 to nearly $3,000,000,000. In the same period the exchange of products be-

tween these countries and the United States increased from $500,000,000 to $800,000,000. During this time, Mr. Barrett adds, three thousand men, firms and corporations in the United States sought information at the Pan-American Union, preliminary to developing trade with Latin America, as against three hundred for the preceding seven-year period.

It was the mutual interest in closer commercial bonds between the United States and Central and South America that resulted in the Pan-American Financial Conference, held in Washington in May, 1915, called by the Hon. Wm. G. McAdoo, Secretary of the Treasury.

This was the most memorable gathering of its kind in the history of the two continents. It was attended by many of the most representative men in the Western Hemisphere and five days and nights were devoted to an earnest consideration of ways and means of *developing* a reciprocal trade relationship

between the Americas. And from first to last, the cry of the Latin Americans was for steamship service. The same appeal was on every tongue. All other questions were subordinated to this one, and all other problems were conditioned upon a solution of that of transportation. Before that conference of Americans adjourned a series of remarkable reports was adopted by each national group, and the burden of practically ever one of them was the same. These appeals to us are so extraordinary in their character and have so intimate a bearing upon our trade expansion in its relation to a merchant marine that I have prepared a brief summary of each for incorporation in this volume. These follow:

ARGENTINA

Urged the passage of resolutions calling on all Pan-Americans to co-operate in equalizing cost of ship operation between United States and Latin-America, as compared with operation cost between United States and European ports, "with a view to securing the establishment and regular operation of sufficiently fast mail steamers, with adequate passenger, mail and high-class cargo accommodations, be-

tween ports in the United States and ports in the countries so co-operating."

BOLIVIA

Referred to large undeveloped natural resources of Bolivia. Large quantities of antimony, tungsten, bismuth and tin. Because of lack of ocean transportation facilities United States, which does not have these minerals, but uses large quantities of them, imports from Europe. "We feel that increased and improved ocean transportation is an essential necessity for trade improvement." The total export and import trade of Bolivia in 1902 was $16,000,000; in 1913, $57,000,000. Bulk of exports to England, France, Germany and Belgium. United States received only $392,245 and sent to Bolivia from $3,000,000 to $4,000,000.

BRAZIL

"We emphasize the extreme necessity for rapid, frequent and dependable marine transportation service to provide adequately for the maintenance and development of commerce between the States of North and South America."

1910 to 1914

Imports—total, $335,797,771.20; from United States, $191,109,316.80.

Exports— total, $863,053,065.60; to United States, $556,676,164.80. Balance of trade in favor of Brazil, total, $527,255,294.40; over United States, $365,566,848.

These total figures refer only to the trade with four countries—United States, Netherlands, Austria and France —which showed favorable balance for Brazil. With Germany the trade balance in favor of Germany was $15,449,832. Attributing in part the unfavorable balance of United States trade with Brazil to ignorance of Brazilian trade and commerce, Dr. Amaro Cavalcanti said this ignorance was "*mainly* due to lack of a more frequent communication of all *kinds between the* two countries, which is not true of the

principal European countries, which have an increasing interest with the South American countries through their steamship lines touching continually the ports of Brazil." Germany, on the other hand, has maintained and increased steamship lines touching Brazil.

CHILE

Question of facilities in transportation referred to special commission.

COLOMBIA

Exports to United States nearly double imports from United States. Colombia makes no recommendation as to merchant marine, though recognizing "the importance of the extension of inter-American steamship transportation." Says special revenues of Colombian Government have been devoted to improvement of harbor and storage facilities at ports on Atlantic and Pacific coasts near Panama Canal. Invites American investments in Colombia.

Says with proper steamship connections Colombia could ship meats to United States, beating all competition. Abundance of undeveloped resources—gold, silver, platinum, iron, copper, emeralds, crude oil and coal. 1913—exports, $34,-315,800. Imports, $28,535.800. Balance of trade, $5,780,000. Says great possibilities for United States to get "considerable portion of" trade heretofore held by Europe.

"It is obvious that all efforts in the way of developing and extending trade and business between United States and Colombia require for their final success facilities for transportation as rapid and cheap as possible."

CUBA

Exports to United States 80.2 per cent. of total. Imports from United States 52.8 per cent. of total. Urgent need for better transportation to Central and South America from Cuba.

DOMINICAN REPUBLIC

"On account of the war, by the elimination from the seas of the German vessels, which constituted 30 per cent. of all the tonnage that arrived at Dominican ports, and the circumstances of the scarcity of ships of other nationalities, the ocean transportation has suffered a great deal in the Dominican Republic. From the United States there is only one line of passenger ships, plying between New York and the Dominican ports, making two or three trips monthly, and besides there are some freight ships between these ports and New York or Boston. Ships are commonly small craft of 2,000 to 3,000 tons and of a speed of from 10 to 12 knots an hour, which make their trips from New York to the first Dominican port in five or six days and spend eight or nine days in reaching San Domingo City; it is thus desirable that the number and the speed of the ships be increased, as there are freight and passengers to justify this improvement."

ECUADOR

Refers to present limited shipping facilities and says: "We are informed that the Government of Ecuador is prepared to grant every facility to any steamship company which would establish a regular line and charge reasonable rates. We understand that it would be possible to secure payment for transportation of mails and that exemption of port charges can be obtained also.

"Encouragement for the development of the service can only be given by Government assistance. It is not possible to foresee to what extent the business can grow at this time, as no one knows what can happen under the abnormal conditions of the world. But it can be more or less safely stated that the export products of Ecuador being salable in times of war the gross tonnage of 100,000 to 120,000 tons for exports can be maintained, and that imports for some 125,000 to 150,000 are more or less secured."

GUATEMALA

Recommended: "That, so far as possible, steps be taken to improve means of transportation along the Pacific coast, and that vessels stop at all important ports, both in Latin America and in the United States; and if private enterprise fail to provide the necessary means of marine transportation for interchange of the field and factory products of the United States and Central American countries, the respective Governments aid in providing such necessary marine transportation."

HONDURAS

"The improvement of ocean transportation facilities is of great importance. The only line of steamships at present serving the Pacific coast of Honduras is the Pacific Mail Steamship Co. We believe that the development expected from the completion of the railway to Tegucigalpa will necessitate the provision of better steamship facilities.

"The Government of Honduras would give liberal subventions to a company that would obligate itself to send its steamers to Amapala at least every ten days, such a service to extend as far as Balboa on the south and San Francisco on the north."

NICARAGUA

"All of our natural resources are suffering primarily from insufficient capital necessary to their proper development and from lack of adequate transportation facilities, both from the interior to the ports and from the ports to the outside markets of the world. The need of additional transportation facilities is emphasized by the fact that inhabitants of the one coast are under the necessity of importing articles from the United States and other countries which are produced by and exported from the other coast, though the two are only separated by a distance of approximately 200 miles. In view of the imperative necessity of improved shipping facilities, more acutely felt in Nicaragua than in most other coun-

tries, the transportation committee of this conference is urgently requested to give due consideration to the needs of Nicaragua in this respect in conjunction with similar requirements of the other American Republics."

PANAMA

"Recognizing, as we do, that clearer understanding, mutual interest, and better trade can be accomplished only by adequate means of communication, we believe that better shipping facilities between North, Central and South America should be developed, and that any present legal obstacles to this end should be withdrawn."

PARAGUAY

"In respect to merchant marine and improved transportation facilities between the Americas, we believe that this subject overshadows all others in its importance, and it is the sense of this committee that adequate transportation facilities are highly essential in the social and commercial intercourse between the peoples of Paraguay and other American Republics. We hope and believe that the committee on transportation appointed by the honorable chairman of the conference will satisfactorily solve the problem."

PERU

"Resolved, that inasmuch as the subject of a merchant marine and improved transportation facilities has been referred to a special committee of the financial conference, the Peruvian committee deems it sufficient to record its opinions in favor of the large development of transportation facilities between the United States and Peru."

SALVADOR

"Better transportation by sea is greatly needed, so that mails, passengers and products can more regularly and speedily pass between Salvador and the United States. Such *marine transportation* will beyond doubt be afforded prompt-

ly whenever financial provisions have been perfected which will produce a stimulation of commerce, but pending such stimulation of commerce it is very important that inducements be offered for the maintenance of suitable ocean transportation.

"Salvador will gladly give all possible encouragement to the upbuilding of its transportation facilities, and if commerce between Salvador and the United States is to be developed the United States should, in such manner as may be possible, assist in this, one of the most important needs for the development and prosperity of Salvador."

URUGUAY

"Whereas it is absolutely essential to the development of the commercial relations between the American Republics that adequate transportation facilities be promoted:

"Resolved, that we favor the passage of laws tending to place the merchant marine of the American Republics on a basis of equality with that of all other countries by removing legal restrictions which may exist or granting direct or indirect subsidies, or both."

VENEZUELA

"We consider it of the greatest importance for the development of a more extended volume of business and commercial relations between the United States and Venezuela that means of regular communication by steamships of ample tonnage be established. In order to accomplish this it is necessary that every encouragement be given by both the United States and the Venezuela Governments to any enterprise in this direction which may be adopted as a result of this Pan-American Conference. These steamers should be built in such manner as to attract not only those interested in commercial affairs, but also those of both countries who travel for pleasure. For only by assurance of speed, safety and comfort can the great tide of travel be diverted from its tendency hitherto in the direction of European countries.

Every North American visiting Venezuela and every South American visiting the United States becomes a missionary amongst his countrymen for continuous and increased intercourse, and all these visitors will be the means of promoting, not only greater trade relations, but also closer social ties and better understanding in every respect."

From a standpoint of pure self-interest no exhibit could be more impressive than these appeals from a group of nations clamoring for a chance to add to our wealth, for a chance to be our customers as well as our friends. It is inconceivable to me that we will omit to do the one thing that is required of us by these neighbors—the establishment of transportation service. If we fail in this regard we do not deserve either the friendship or the trade of these countries. Nor will we have any right to complain, if after the war in Europe is over, we find our enterprising rivals recapturing the business which we could have had for the asking.

Before dismissing the subject of our trade opportunities in connection with a merchant marine, the fact may be again cited that the war in Europe, if it continues a year longer,

will probably reduce the available merchant tonnage by another million tons and possibly by two millions. A great deal of this will never again appear upon the seas. Much of it will have been destroyed outright, and the process of attrition due to natural causes annually removes about 1,500,000 from the register.

If these facts mean anything, they mean that a pronounced shortage in merchant craft will be inevitable, a shortage which our trade is bound to feel. Germany and Great Britain will make use of every available ship for their own profit and we will continue to draw what is left over, if there is any. This is a most serious possibility and may result in a trade reaction in this country the consequences of which it is difficult to foresee. Far-seeing Englishmen expect us to take advantage of present conditions to re-enter the over-seas shipping field and will be very happily surprised if we fail to do it. In that connection I am appending a letter

written to me on November 30, 1915, from a leading shipping authority of the United Kingdom. This says:

"It is only right and natural that America should seek to develop a sea-carrying power, and, sad as it will be to all Englishmen to see this change, which the war will no doubt bring in this respect, I, personally, regard it as part of the price we must pay for the doing what seems to us our duty. By this I mean that I doubt if for many a year to come the money for an up to date English merchant service will be forthcoming. Ships for trading are like ships for war, they are no use for money-earning when they get out of date, as you know much better than I do. Probably men will be a greater difficulty with you, in manning the ships, but no doubt you will get over this trouble. I expect, with oil as fuel, you must enormously diminish the question of labor."

RELATION OF MERCHANTMEN TO NATIONAL DEFENSE.

CHAPTER IV.

Never before in a time of peace have the American people felt so profound a concern over the question of defense as they feel today. Never before have they so fully realized the necessity of safeguarding their country against possible aggression. Never before have they so understood the value of military preparedness. Never before have they witnessed such appalling sacrifices of blood and treasure by nations forced to take up arms without either arms or munitions.

The war in Europe, with its measureless horror and suffering, has forced these vital considerations upon the consciousness of our people. It has shown us that we no longer enjoy that "splendid isolation" vouchsafed us by an ocean on the East and another on the West. We all agree that we can never again be a provincial power. We know that

our interests are the interests of the whole civilized world. We now see that danger for our country lurks in every international upheaval, and that failure to guard against such dangers would be criminal negligence.

An understanding of these facts has resulted in a nation-wide demand that our Government take such steps as will protect our coasts and our frontiers from wanton assault and strengthen us in the assertion of our rights, whether at home or abroad. There is now a demand that we build and equip a navy powerful enough to meet on equal terms any probable adversary. We must buttress our second line by making our harbor defenses impregnable, and raise and train an army strong enough to garrison our over-seas possessions and adequately defend our lives and property in continental United States.

There are plenty of patriotic men in this country who oppose "militarism," or any system approaching militarism. And those

who do oppose it, stand upon firm ground. But the defensive policy which an overwhelming majority of Americans are now agitating contemplates no such condition.

It is not my purpose to discuss the question of national preparedness in detail. I only advert to it in this place because of the fixed relation of a merchant marine to our naval and military establishments. I have cited the fact that our people have shown and are showing pronounced anxiety concerning the state of our national defenses, and have sought to point to the reasons for this anxiety. And right there is where the army and navy and the merchant marine come in contact.

If there were no other need whatever for an American merchant marine, there would be sufficient justification for it as a measure of military and naval necessity. And it is both. Every military power on earth except the United States has not only recognized that fact, but has amply provided for it.

Every other power looks upon its merchant fleet as an all-important part of its military system. Every one of them provides for the support of its shipping interests, and in an emergency relies upon these vessels for services that could not possibly be performed by any other agency. The merchant marine has three almost indispensable functions in modern military systems. They are:

1. Army Transports.
2. Naval Auxiliaries.
3. Naval Reserves.

Practically bereft of deep-sea tonnage for fifty years, we have, of course, been without these necessary supports for our army and navy. A handful of old ships yet remain in the army service, some of them survivals of the war with Spain, others made necessary in order to transport troops to and from the Philippines. Another handful of vessels have been available as reinforcements for our naval colliers, had they been needed, but

those of them capable of an over-seas voyage are, for the most part, so old and slow that it would be suicidal to send them into the vicinity of an enemy man-of-war. At the beginning of the war in Europe we had but fifteen merchant vessels actively engaged in deep-sea commerce, and but sixteen army transports of all types, and practically every one of them should have been scrapped long ago.

The blunders of our war with Spain should have been sufficient to impress us with the folly of our merchant marine policy. We should have learned from it a lesson in preparedness never to be forgotten, but we had no sooner emerged from that conflict than we promptly resumed our old attitude of indifference toward this vital question.

Surely in our war with Spain we realized what a frightful and costly mistake it was not to have fortified ourselves with a marine auxiliary to our army and navy, an

auxiliary which could be instantly requisitioned to meet our military necessities. Nothing was ever so manifest. The whole country at the time rang with a cry of protest and amazement. Our public men were seized with panic at the folly of our policy. And yet, because victory was easily achieved and because the strain lasted but a few months, we stand today as unwise children who have learned a great lesson without profiting by it. A few of our strong men, however, continued the fight for a change in our course. The late Admiral Mahan, the ablest naval writer of his day in this or any other country, in discussing our future as a naval power, said:

"Can this navy be had without restoring the merchant shipping? It is doubtful. History has proved that such a purely military sea power can be built up by a despot, as was done by Louis XIV; but experience showed that his navy was like a growth which, having no root, soon withers away. But in a representative government any military expenditure must have a strongly represented interest behind it, convinced of its necessity. How such a merchant shipping should be built up, whether by subsidies or free trade, by constant administration of tonics or by free movement in *the open air, is not* a military but an economic question.

Before entering upon a discussion of the merchant marine as a reinforcement of our navy, it might be well to recall the fact that our army, if it is ever to be conditioned for expeditionary service, must have ships and an abundance of them. We learned this to our sorrow in the Cuban campaign, when thousands of our troops were mobilized at Southern ports, almost in sight of the shores of Cuba, but were compelled to suffer fevers and malaria for weeks and months before they could be moved. Many of the commands never touched foot on Cuban soil at all. We learned the same thing again when we found it necessary to seize the port of Vera Cruz in order to defeat the designs of Victoriano Huerta.

Since the Spanish War we have maintained the semblance of a transport fleet to carry our troops to the Philippines, to Panama, and to Hawaii. Only two of the sixteen veterans, however, are less than twenty years of age, and one of them is actually

forty-two years old. That half of them are able to keep afloat is a tribute to the singular genius of our quartermasters. The largest is registered at 6,800 tons, and the smallest at 871 tons. These sixteen troop and animal ships are all we have in the military service to meet an emergency. It would take them two months to mobilize at a given point, and six months to move 100,000 men, munitions and horses one thousand miles distant. And yet it is conceivable that the safety of our country might at some future time depend upon this so-called transport fleet.

If for no other purpose than commemoration of past services, the names, tonnage and recorded age of these venerable hulks should be given. They are:

PACIFIC FLEET

Name	Tonnage	Class	Built
Buford	5,040	Troop Ship	1890
Crook	4,126	Troop Ship	1882
Dix	6,839	Frt. and animal ship	1892
Logan	5,672	Troop Ship	1892
Sheridan	5,673	Troop Ship	1892
Sherman	5,780	Troop Ship	1893
Thomas	5,796	Troop Ship	1894

ATLANTIC FLEET

Kilpatrick	5,046	Troop Ship	1890
McClellan	3,006	Refrigerator Ship	1885
Meade	5,641	Troop Ship	1874
Sumner	3,458	Troop Ship	1883

PHILIPPINE FLEET

Liscum	1,072	Troop Ship	1878
Merritt	2,898	Troop Ship	1912
Seward	1,275	Troop Ship	1900
Warren	4,243	Troop Ship	1889
Wright	871	Troop Ship	1887

A list of the naval colliers, some of them as ancient as our elder transports, might also be given. They are:

FUEL SHIPS—U. S. NAVY.

Name	*Displacement*	*Capacity*		*Dates of Authorization and 1st Commission.*
		Coal Ton	*Oil Ton*	
Abarenda	6,705	3,400	....	Pur. during Spanish War. Com. May 20, 1898.
Ajax	9,250	5,000	....	Pur. during Spanish War. Com. May 21, 1898
Arethusa	6,159	....	3,629	Pur. during Spanish War.
Brutus	6,600	4,000	....	Pur. during Spanish War. Com. May 27, 1898.
Caesar	5,920	3,156	....	Pur. during Spanish War. Com. May 13, 1898.
Cyclops	19,360	10,457	2,923	Auth. May 13, 1898. Com. Nov. 7, 1910.
Hannibal	4,000	2,300	....	Pur. during Spanish War. Com. June 7, 1898.
Hector	11,230	7,200 8,128	....	Auth. May 13, 1908. Com. Oct. 22, 1909.

Name	Displacement	Capacity Coal Ton	Capacity Oil Ton	Dates of Authorization and 1st Commission.
Jason	19,132	10,500	2,586	Auth. Mar. 4, 1911. Com. June 26, 1913.
Jupiter	19,360	10,457	2,923	Auth. May 13, 1908. Com. April 7, 1913.
Justin	Stricken from Register Dec. 31, 1915.			
Kanawha	14,500	....	7,554	Auth. Aug. 22, 1912. Com. June 5, 1915.
Leonidas	4,023	2,200	....	Pur. during Spanish War. Com. May 21, 1898.
Mars	11,230	7,200 8,128	....	Auth. May 13, 1908. Com. Aug. 26, 1909.
Maumee	14,500	....	7,554	Auth. Aug. 22, 1912. Under construction.
Nanshan	4,950	2,900	....	Pur. during Spanish War.
Neptune	19,375	10,500	2,929	Auth. Mar. 3, 1909. Com. Sept. 20, 1911.
Nereus	19,000	10,500	3,081	Auth. June 24, 1910. Com. Sept. 10, 1913.
Nero	6,360	3,500	....	Pur. during Spanish War. Com. June 8, 1898.
Orion	19,132	10,500	2,586	Auth. Mar. 4, 1911. Com. July 29, 1912.
Proteus	19,000	10,500	3,081	Auth. June 24, 1910. Com. July 9, 1913.
Saturn	4,842	2,495	....	Pur. during Spanish War. Com. April 11, 1898.
Sterling	5,663	2,672	....	Pur. during Spanish War. Com. April 16, 1898.
Vulcan	11,230	7,200	....	Auth. May 13, 1908. Com. Oct. 2, 1909.
Cuyama	Authorized; now under construction.			

NOTE—Vessels having two figures shown under coal capacity, smaller figure is regular allowance included in displacement; larger figure is maximum allowance.

An even greater necessity exists for supporting the navy with merchant ships. It matters not how powerful a fighting fleet we may have, it dare not venture far from its base unless it is provided with an auxiliary. It must have coal in never-ending quantities. It must have provisions. It must have ammunition. It must have supplies of every kind and character, else its operations are limited to mere coast defense. Every naval authority agrees on that point.

A few years ago President Roosevelt dispatched a fleet of sixteen American battleships around the world. It was a memorable cruise. It gave the nations of the earth their first definite understanding of the sea power of the United States, in terms of armament, of ships and seamanship. We learned that we had fighting craft of a superior type—but if put to it, this fleet could not fight one thousand miles distant from a naval station. Why? For the simple reason that we have no marine support for our

fine line of battleships. Our own colliers were barely able to supply the fleet as far as Magellan, and before we could penetrate the Pacific we had to charter alien ships to coal our men-of-war.

All this happened, of course, in a time of general peace. It happened at a time when we ourselves were at peace, else it would not have been possible at all. We were on parade before the naval powers of the world, but the exhibition we gave was one of absolute dependence upon the merchant fleets of our possible enemies, and therefore an exhibition that made our navy a laughing-stock in their eyes. They found that they would not have to sink our ships to defeat us. All they would have to do would be to starve us by withdrawing the means of keeping our fleets at sea.

So much for peace and parade conditions. If we were thus handicapped on a peaceful cruise, it is easy for anybody to see that we would face actual disaster if we were not

better able to provide auxiliaries for our navy in time of war. If we were not able to coal and provision sixteen battleships, without help, under the most favorable conditions, we should be in a hundredfold worse situation if there were no foreign merchantmen available to meet imperative necessities.

Rear-Armiral Benson, Chief of Operations of the Navy, recently replied as follows to a question as to the number of merchant vessels needed to adequately support our fleets in time of war:

"There would be required 400 vessels for auxiliaries, with a total of 1,172,000 gross tonnage. In addition to the above, should our own coast be invested, or even occasionally visited by an enemy, there would be required a large number of small vessels fitted for mine sweeping, say at least 324 of such vessels, of about 150 gross tons each."

As the Secretary of the Treasury has since pointed out, no doubt exists as to our ability to supply the 324 small craft for mine sweeping, for tender service, and even for certain classes of scout duty. Our domestic shipping is amply able to provide these light ships,

and could mobilize the necessary number almost over night. Though of some importance from a military standpoint, this coastline fleet would be of practically no service to our fighting craft.

It is the question of acquiring the 400 sea-going ships, which Admiral Benson says the navy would require, that gives cause for concern. There is no such volume of tonnage under our flag. Moreover, it is doubtful if we could acquire a line of alien ships, were we at war. These markets might not be closed to us, but every vessel purchased abroad would run the risk of seizure or destruction on its way to our shores. It has been declared that in an emergency we could draw approximately 700,000 gross tonnage from our present ocean-going and coastwise shipping and convert the vessels into naval auxiliaries. This would leave us about 500,000 tons short of our immediate requirement, without considering a margin for the expected growth in our armed fleets.

Facts and details could be cited indefinitely to show our urgent deficiency in naval auxiliaries, but it is unnecessary to proceed further. The testimony would be merely cumulative. It is, of course, well known that our merchant marine policy of abandonment carried with it the penalty of unpreparedness from a naval and military standpoint. We have all recognized that circumstance. The present problem, however, is one of remedying, not one of diagnosing what ailed us in the past.

There is another phase of this question as vital, perhaps, as either of the two which have been commented upon. This has to do with the creation of a naval reserve. We have no naval reserve associated with our merchant marine. Under a recent Act of Congress the Navy Department was authorized to recruit such a force among the enlisted corps of the navy after their discharge from active service. This law was a step in the right direction, of course, but it has

proved a weak step and a process so slow that the first small handful of reservists will be too old and feeble to fight before the body assumes real fighting proportions.

Every naval power in the world except the United States relies upon its merchant marine for its naval reserve. Such a system, of course, presupposes a merchant marine. If there is no such industry, there can be, of course, no such reserve corps. We have lived so long without an over-seas marine that we have given no thought to the loss our navy sustains in being unable to recruit itself from the trained personnel of the merchantmen. Our purely domestic shipping does not provide the service that makes good man-of-warsmen, and no effort, therefore, has been made to utilize such ships for that purpose.

It is proper to state, in this connection, that those governments which train their naval reservists on merchant ships contribute liberally to the merchant marine itself.

Some aid the private interests in meeting the cost of construction. Others pay direct subsidies. Still others enter into advantageous mail contracts, and all of the governments, in one way or another, find it a matter of good policy to extend benefits for those received. Our Government has taken no such view, and in consequence we have neither merchantmen nor naval reservists.

It should become our duty, however, to include in any program for the re-establishment of an American merchant marine, a plan for the creation of a naval reserve corps. Eminent authorities have conferred upon this question, and out of their conferences has come a definite proposal for such a reserve. Its pay, its personnel, its period of service, and even its equipment, are matters of definite calculation. Moreover, this plan, I am prepared to say, can be made relatively inexpensive to our Government. In other words, I am convinced that we can enlist and maintain a reserve, for instance,

of 10,000 officers and men for a year at just about what we pay for the operation of a battleship for that period.

This plan should be put into execution through the proposed Shipping Board, with the approval and co-operation of the Secretary of the Navy. This board should have authority to recruit reservists on all the vessels under our flag. A special board of naval officers should be appointed by the Secretary of the Navy to examine and report upon the fitness of all reserve officers, engineers, able-bodied seamen or stokers who may volunteer for this service. These men should be required to report for examination annually, once they have enlisted. Those passing such examinations should be eligible for promotion or advancement.

Power should be given to the Shipping Board to appoint at least one naval cadet for every 1,000 tons of shipping. Once appointed, a naval cadet of the reserve would

have the same rating as his brother in the active service, up to the rank of lieutenant-commander.

All cadets and seamen thus enrolled in the reserve should be entitled to receive allowances from the Government of the United States, in addition to their pay as officers and crew of merchant ships. The monthly allowance for the reservists should not exceed $5 for enlisted men, $8 for petty officers, $10 for warrant officers and $15 for commissioned officers. In the case of a ship of the type of the "Great Northern," with a gross tonnage of 8,000 tons, 12 officers with an allowance of $15 a month, 20 petty officers at $10 a month, and 172 men at $5 a month, or a total of 204 officers and men, would cost the Government $13,880 a year. With 40 vessels of this type, having an aggregate gross tonnage of 320,000 tons, the Government could maintain a little more than 8,000 reservists at a cost not exceeding $555,000 a year.

The annual cost of the personnel of one battleship, including the pay of officers and the pay and subsistence of the crew, is approximately $730,000. On that basis, it is possible to maintain, as already pointed out, at least 10,000 officers and men of the naval reserve for the same amount of money, or perhaps less, than the expense of a battleship's personnel.

It is hardly necessary to dwell upon the importance of a naval reserve. Such a force is not only needed to man those ships that might be temporarily out of commission at the outbreak of a war, but they would be absolutely necessary to our service to take the places of officers and men killed or wounded in action. There is where their value is most potential. A naval seaman cannot be made in less than six months of intensive training. An officer cannot be made without years of instruction, supplemented by actual experience in the science of navigation and in the command of men.

War's wastage, therefore, cannot be made up from raw recruits. It must be made up, if at all, from the practiced officers and crews of our merchant marine.

A naval reserve of this character would, moreover, be a tremendous asset to a merchant marine. It would attract a finer grade of men to the sea. It would open up careers to them of a most promising character and would yield them greater compensation for their service. The British Government long ago realized the dual possibilities of such a system. That great maritime nation has set an example for the whole world in the perfection of its Royal Naval Reserve. I have prepared a summary of that system, indicating its completeness of detail, and shall submit it for study in connection with that which we now propose to inaugurate.

The Royal Naval Reserve is a purely voluntary service, open to officers and men of the Mercantile Marine. Prior to the outbreak of the present war only the most le-

sirable candidates were selected. Those who join continue in times of peace to serve in the Mercantile Marine, except when called upon for annual or biennial training. But in a grave national emergency all are called up by Royal proclamation.

OFFICERS.

Officers of the Royal Naval Reserve rank with, but after, officers of the Royal Navy of corresponding rank, and candidates must—

(a) Be British subjects and sons of British subjects.
(b) Be in all respects physically fit.
(c) Have satisfactory testimonials for sea service.
(d) Certify that they intend to follow the sea as their profession.

MIDSHIPMEN.

Candidates must be between 16 and 18 years of age, and must either—

(a) Have been for two years on board one of the approved Mercantile Marine training ships, or

(b) Have served one year at sea on board a first class British ship as a cadet, midshipman or apprentice.

SUB-LIEUTENANTS.

Candidates must be under 30 years of age.

(a) Possess a master mariner's certificate,

(b) Have served as first mate of a British steamship of at least 1,500 tons, or a British sailing ship of 1,000 tons gross, for not less than one year; or second or third mate of British ocean-going steamers of not less than 3,000 tons, or fourth mate of such steamers of not less than 5,000 tons, and have served not less than three and a half years at sea as a certificated officer.

PROMOTION.

Appointments to the rank of commander and lieutenant are made by promotion from the junior ranks.

Training Obligatory.

Officers must go into training with the fleet for 28 days each year, for the first three years, or until a test certificate is obtained, and subsequently for 28 days every alternate year, or 14 days every year, when they must requalify for the test certificate.

Training Optional.

Officers may volunteer for a special course (about three months) at one of the gunnery and torpedo schools, and afterwards for 12 months with the fleet.

Uniform.

Officers, when called up for war service, receive from £20 to £50, according to rank, for uniform, and half the amount if appointed for 12 months' training.

Pay.

Officers are paid only during training, or when called up for service, according to the

pay for the corresponding rank in the Royal Navy.

A training fee is paid to officers who have passed satisfactorily through all their training (obligatory and optional) of £10 to £25, according to rank. This fee is paid every year to officers who requalify, so long as they remain on the active list.

PENSION.

Reserve officers, if they receive hurts or wounds in active service or in training, receive the same pension as officers of the Royal Navy.

If they are killed in action or die from accident while on duty, their widows and children are entitled to the same pensions and allowances as widows and children of naval officers of the same rank.

RETIREMENT AND REMOVAL.

Officers may resign or ask to be placed on the retired list at any time except when called up.

Their names may be removed from the list for misconduct, or if their merchant service certificate is canceled.

The age for compulsory retirement is from 45 to 50 years, according to rank.

Engineer Officers.

For engineer officers the rules are the same, excepting that very little training with the fleet is required of them.

Assistant Paymasters.

Pursers of first class British steamers may receive appointments as assistant paymasters.

Men.

Seamen and Stokers.

Applicants must be—

(a) British subjects (colored men not accepted).

(b) Free from physical defect.

(c) Between 18 and 25 years of age.

(d) Height 5 feet 4 inches.

(e) Girth around chest not less than 32 inches.

(f) Enroll for five years.

They may re-enroll for further periods of five years if of good conduct, up to a total period of twenty years.

Pay and Pensions.

Same as Royal Navy, but only when training or in active service.

Annual Retainer.

For seamen and stokers, £6.

For leading seamen and stokers throughout the twenty years, £8.

Gratuity.

Men who complete the twenty years' service are granted a gratuity of £50.

The conclusion has doubtless been reached from a consideration of the facts and circumstances hereinbefore set forth, that a merchant marine is more necessary to the armed forces of our country than it

is to the trade expansion of the nation. Merchantmen are a vital element in our scheme of preparedness, and preparedness for defense is and should be the first consideration of our people. It is the purpose of this volume, however, to appraise the value of a merchant marine from the standpoint of every national interest, whether it be in the pursuits of peace or in the stress of war.

SHIPPING PROBLEMS AND DEVELOPMENT OPPORTUNITIES.

CHAPTER V.

Many important elements which enter into the steamship business, not heretofore mentioned, must be given consideration in any movement for the rehabilitation of our merchant marine. These may not be necessarily determining in their character, but they have sufficient bearing upon the problem as a whole to entitle them to special attention. Otherwise the question which we, as a nation, are now facing would not be fairly comprehended.

We are proposing to set up an industry which shall successfully compete with the well-organized and securely entrenched merchant fleets of the world. Many of us are sincerely convinced that this can be done, but we are not unmindful of circumstances which make this difficult and which will call into play all our business resource-

fulness. There are conditions which exist today, however, conditions which we could not have foreseen ten, five, or even three years ago, which tend to equalize navigation handicaps and to place us in a far better position than in the past with respect to our maritime rivals.

Our shipping will be burdened still in some particulars, but if we are able to measurably offset this by means of systematic economies and a less expensive plan of financing, we may launch our enterprise with a reasonable expectation of building up an interest that will not only yield direct returns to the immediate investor, but which will confer collateral benefits upon our whole country. Such benefits will, of course, inure more particularly to our naval and military establishments.

It is necessary, for instance, in the development of a merchant marine policy, to have due regard for the existence of freight-rate agreements and the desire for such reg-

ulation as will properly safeguard water-borne commerce; to have due regard for the taxation which all shipping bears and which foreign shipping especially must bear after this war is over; to have due regard for the question of terminals and the almost universal demand that safety at sea be provided for, and due regard for the importance of financial confidence in any project which we may undertake. The question of insurance is also an important factor.

Then there is the question of substitution of oil for coal as a means of propulsion, a question which may open up to us vast possibilities. Recent experiments in this direction have led many eminent authorities to believe that in this a solution for many of our difficulties in the re-establishment of ourselves as an international trade-carrier has been found. The use of oil promises to reduce the cost of ship operation to such an extent as largely to counterbalance the added expense of our crews. Moreover, it in-

creases the dead-weight carrying capacity of our freighters, giving us an advantageous margin in shipping profits.

These are, therefore, very vital matters, and must be approached intelligently if we are to have a full understanding of competitive conditions. They must be considered along with the broader phases of a merchant marine program. They must not be lost sight of simply because our foreign trade and preparedness policies seem to overshadow them.

The opinion has often been advanced that the present is an appropriate time to inaugurate a system of shipping regulation as effective with respect to freight and even passenger rates as we now maintain in connection with our interstate railways. The excessive charges imposed by many of the trans-oceanic steamship lines since the war began and the existence of agreements between deep-sea carriers for the adjustment of rates and trade routes, are urged as rea-

sons why the Government should take steps that will effect a supervision over all steamers touching at our ports. And the fact that the Government itself is asked to lend its credit to American shipping interests makes the present, it is added, a peculiarly opportune time for legislation upon this subject.

The desire for the regulation of ocean shipping by the Government has its origin in two very important misconceptions. The first is a vague notion entertained by many people that over-seas traffic conditions are not unlike those with which our railways have to deal, and may therefore be subjected to somewhat the same supervision that we exercise over our land carriers. The second is a misunderstanding of the purpose and scope of rate agreements among the maritime carriers.

In connection with the first of these false impressions, the truth is that ocean carriage is so far different from that of railroad transportation that they cannot be consid-

ered from the same point of view. A railroad traffic manager, for instance, can figure almost to a ton on the amount of freight a given train is to haul at a given time from a given point. He can inform himself of the exact class of goods that may be offered to him for movement far enough in advance to enable him to assemble the proper equipment for its handling. This is particularly true of his bulk or commodity freight, such as coal, coke, grain, cotton, lumber, sand, gravel and ores. It is no less true with regard to such classified freight as packing-house products, fruits and certain manufactured wares.

Moreover, but few freight trains are operated on fixed schedules. They are made up at such points as have goods to be shipped and moved to such other points as may be necessary in order to deliver the freight. Cars may be cut out or coupled on at intermediate stations. Empties do not have to be hauled simply to balance a train, or as

we would say in the shipping business, to provide ballast. The whole system of freight movement on land is, in truth, a matter of the closest calculation and of practiced economies. Railroad rates may, therefore, be projected on a fixed basis.

No such fortunate condition obtains in the steamship business. Our freight and passenger liners must have regular sailing dates. They must leave port at a given hour of a given day. They cannot wait for the accumulation of either sufficient cargo to make the voyage profitable, nor of the kind of cargo that would make it the most profitable. They must take the goods that may be upon the dock or can be rushed to the dock at the eleventh hour. It often happens that enough weight tonnage is aboard, but not enough measurement cargo. Or the reverse may be true. The ship-owner must act and act quickly in such a situation. He must procure from wherever he may and at whatever sacrifice in rates that may

be necessary the goods to properly load his vessel. Sometimes this can only be done by lowering his rates, and he is often forced to take shipments of a certain class, at the last minute, at a less figure than he is hauling other shipments of exactly the same character on the very same ship. Rate slashing of this sort is not engaged in to drive a competitor out of the market, but is required of the shipowner as a matter of the safe and profitable operation of his ship. Also a vessel must sail fully equipped and fully manned, regardless of the freight in its holds. The expense for a full cargo is exactly the same as the expense for a cargo of water ballast. The crew cannot be reduced, nor the fuel cost diminished. The difference between land and ocean transportation is wide, a difference that makes freight rate regulation on the high seas of very doubtful propriety. It is possible, of course, to provide that certain ocean tariffs may be fixed as a maximum, but it is not

practicable to fix minimum rates. And the authority to protect a shipper in his rights, without at the same time protecting a weak competitor against the rate-cutting of a powerful rival, is one-sided and consequently indefensible.

Much misinformation has gone abroad concerning the evils of agreements between shipping concerns, for the establishment of stable rates and a division of ocean service. It is conceivable, of course, that abuses may be possible under such a system, and in some instances they have been actually practiced. It has rarely been the case, however, that these evils have operated to the detriment of the shipper. The man with goods to be moved is the man who makes shipping possible. He is courted by all interests engaged in freight handling. These interests may fight among themeslves for his business, and often do, but it is obviously bad policy for them to combine in such manner as will make it either impossible or unprof-

itable for their customer to ship over anybody's line. The baldest self-interest on the part of the carriers safeguards the shipper against that condition.

The investigation conducted a few years ago by the House Committee on Merchant Marine and Fisheries into shipping combinations developed some interesting facts in connection with rate conferences and agreements. It is not necessary to go into these findings in detail, but it might be remarked that the agreements seemed to result in improved service, regularity of sailings, a stability in rates, a reduction in the cost of transportation and a greater security for the capital invested in the steamship business. It might be well to add that severe complaints were made by some of the smaller lines against combinations, but, as stated, these complaints involved no injury to the shipper, but rather injury to certain of the steamship companies themselves. This could be easily regulated by proper legislation.

While on the question of combinations it is pertinent to say that such agreements as existed prior to the war no longer hold. The German and Austrian interests were parties to those conferences, and have of necessity withdrawn from the over-seas trade altogether. So much of the British shipping has been requisitioned by the government for military purposes that the ships which are left in the carrying trade are unable to enforce the rules that were in effect before the war. In other words, the question of shipping combinations does not now need to be bothered about. It may have to be considered in some of its phases when normal times return, but for the present it may be dismissed.

This is not true, however, of shipping taxation. This is at all times a matter of pressing importance to the merchant marine industry, but was never so vital a factor as it is just now. I venture the statement that no interest on earth is so burdened with

taxes as the shipping interest. It is levied upon at every turn and has been since Phœnician days. This is true in the same measure when earnings are high as when they are low, and so systematically true that ship-owners, in lean seasons, are often compelled to tie up their vessels to avoid the expense of entering or leaving a port.

In addition to all the ordinary domestic taxes imposed by a government (ours no less than others) upon corporations and upon physical properties, ships must pay harbor dues on every voyage, port dues, light dues, hospital dues, tonnage dues, and in many cases pilotage dues. Some of these taxes, as, for instance, those paid for pilotage, are mere hold-ups. Light dues have been discontinued in many countries, but until recently it was necessary to pay for light-house and light-buoy service, whether any such aids to navigation existed or not. There is little likelihood that these burdens *will be lifted* from the shoulders of the

ship-owner, but the subject has been presented here because of the advantageous position in which our own shipping has been placed with respect to war conditions.

Whereas heretofore the merchant fleets of all nations were subjected to substantially the same processes of taxation, it now happens that our own marine interests are far better off than those of Great Britain or of any other belligerent nation. For instance, the British Government has recently levied a fifty per cent. income tax upon the net earnings of every English shipping company. This is an enormous burden for these companies to bear, and they may expect no immediate relief even when the war is over. The British national debt, staggering in its proportions, will still remain, interest on it must be paid, and shipping, the largest of English industries, must do its part toward raising the money. The same condition will obtain in Germany. If ever, therefore, the time were opportune for us to

enter upon marine enterprise, that time has come. It is not a question of taking advantage of the misfortunes of our competitors. It is a question of providing an ocean service for our own commerce which our rivals are not now and will not be able to provide for many years to come.

We also enjoy another favorable condition. That has to do with our superior terminal facilities. And such facilities are absolutely necessary for the economical handling of freight. We are now moving our coastwise and lake tonnage at a lower rate per ton per knot than any country in the world. This is due to the perfection of our facilities for loading and discharging ships. Our domestic system of handling cargoes at our terminals has been a marvel to the whole shipping world and has been a decided tribute to our mechanical genius.

These same facilities must be made available for the expeditious handling of our export cargoes. Moreover, if we should

launch upon a shipbuilding program at this moment, we would be enabled so to build our ships as to make the most favorable use of these terminals. Our older ships would have no measurable advantage in this respect over the older vessels of other nations, but our new ships would be so equipped that they could save enormous sums every year in the expense of loading or unloading in American ports. The margin of terminal expense in our favor, added to the even wider margin in the matter of taxation, make the present a more inviting time for ship investments than this country ever before enjoyed. All this, coupled with the ability to secure money here for any enterprise at a lower rate of interest than obtains abroad, would seem to conclude the argument. There is, however, an even greater opportunity for American shipping in the use of oil as fuel, than is offered by any or all of the considerations just outlined.

As a matter of fact, marine engine ex-

perts now believe that oil for propulsion will completely revolutionize certain classes of shipping. For many years engineers and constructors have focused their attention upon an oil-consuming marine engine that would perform in a large way what it had already been made to do in a small way. And as the result of these experiments the Diesel engine type has been worked out upon heavy ships and found satisfactory. Moreover, highly important economies have been made possible. These include increase of cargo space by the elimination of bunkers, and a reduction in the size of the crews. At one stroke the earning capacity is increased and the expense decreased—an ideal condition in any business.

It may be a little early to figure in definite terms upon the possibilities of the Diesel engine, but engineering authorities have approximated the results. By using the bunker space on the ordinary vessel for additional *cargo, it is* calculated roughly and perhaps

conservatively that the freight capacity of the ship can be increased ten per cent. Through the discharge of stokers and other engine-room employes, by the use of oil, ships' wages can be cut down at least five and perhaps ten per cent. And, in addition to these favorable circumstances, it is possible on some trade routes to get more mileage out of a dollar through the use of oil than by the use of coal. These are three vital factors in the operation of steamships, and all of them are in favor of American shipping.

A further saving in oil-burning vessels is a marked reduction in the cost of upkeep of boilers, cost of painting the ships, etc., items which every ship-owner knows are important.

The possibilities of the use of oil in the development of our merchant marine, just outlined, place us in a most favorable position, from the standpoint of economical equipment, to enter world-wide competition in shipping. Oil promises to be an all-im-

portant factor in this competition, and, as is well known, more than half of the world's supply is within the borders of the United States, with vast producing fields across the line in Mexico. It is a matter of common knowledge that many American ship-owners are at present deterred from equipping their vessels for oil burning owing to the extreme fluctuations in the price of that fuel. Fortunately the government has reserved large tracts of oil lands from the public domains, and should private interests prevent the development of our merchant marine, it is, of course, possible to resort to the Government's own oil supply.

Safety at sea is another phase of our present-day shipping problem which deserves consideration. We have been enabled by domestic legislation to enforce rigid rules safeguarding the lives of passengers, crews and property aboard our own vessels, but a system of international regulations to the same effect has not been adopted. Mean-

while, our shipping is at a disadvantage in competition with that of our neighbors, in the expense of safety equipment. We may reasonably hope, however, that this burden will, within the near future, be equalized. Conferences of all the maritime powers will probably be called when the war is over, to consider further the questions raised at the first international conference on safety at sea, held in London in January, 1914. In view of the widespread interest in this subject, the proceedings of this conference may be reviewed briefly.

Three days after the sinking of the White Star Liner Titanic wheels were set in motion on both sides of the Atlantic, which resulted in the calling of the International Conference on Safety of Life at Sea. But as this conference, the first of its kind ever held, was called into being as the result of a tragedy, so did the tragedy of the world war prevent a consummation of the work thus commenced. And while the conclusions of

this body are interesting, as bearing on the first effort to equalize the standards of safety and ship construction throughout the world, they have no direct influence on the problems now facing the United States in its efforts to build up a merchant marine.

Within a week after the destruction of the Titanic, Judge Joshua W. Alexander, of Missouri, chairman of the House Committee on Merchant Marine and Fisheries, introduced a joint resolution in the House, authorizing the President to sound the different nations, with a view of calling an international conference on safety of life at sea. This measure was referred to the Committee on Foreign Affairs, and became a law June 28, 1912. In the meantime, the German Emperor had announced his intention of calling such a conference, but waived his purpose in favor of Great Britain, which thenceforth took the initiative.

The conference met in London from November 12, 1913, to January 20, 1914, the

United States being represented by a committee, headed by Judge Alexander, and comprised of members of both Houses of Congress, officials of the Department of Commerce and Revenue Cutter Service, officers of the Navy, and representatives of several of the larger ship-building companies of this country, as well as Andrew Furuseth, of the International Seaman's Union of America. Mr. Furuseth, however, resigned shortly after the conference opened, declaring in his letter to President Wilson that the conference was merely a ratification meeting, to act on agreements already entered into between the contracting powers. The rest of the American delegation, which took active part in all the deliberations and was freely consulted at every stage, unanimously approved all the convention adopted.

The signatory powers were Germany, Austria-Hungary, Belgium, Denmark, Spain, United States, France, Great Britain, Italy,

Norway, The Netherlands, Russia and Sweden.

By the terms of the Convention, its ratifications were to be deposited in London not later than December 31, 1914, and the agreement itself was to become operative July 1, 1915. No limit was fixed for its expiration. While the several countries were still debating its acceptance, the war broke out.

There were 74 articles to the Convention itself, and in the regulations accompanying it were 52 additional articles. The principal features of the proposed agreement included the following: That the United States, with other powers contributing to the expense, should patrol the North Atlantic and destroy derelicts and give warning of ice; that ship captains should be required to report derelicts and ice; that ship captains, on learning of ice in their vicinity, should proceed slowly at night, or change their course; that there should be regulation of distress signals; that responsibility as to

routes should be left with the steamship companies; that all ocean-going ships above a certain size should have wireless; that they should maintain continuous watches; that ship masters should be required to go to the aid of vessels in distress, or inform the latter of reason for refusal and enter same in log; that life-boats and life-jackets should be provided for all on board, special jackets being provided for children; that there should be not less than three certificated life-boat men assigned to each life-boat; that inflammable cargoes or ballast should be prohibited on passenger ships; that the construction of passenger vessels should conform to rules of construction set forth in the regulations prescribed; and that surveys of all vessels should be made before they were put into commission, periodically thereafter, and whenever an accident has occurred.

In view of the objections raised against the Convention at the hearings before the

the Convention at the hearings before the Committee on Foreign Relations of the Senate, following the conference at London, Articles 60 and 61 of the Convention are quoted as follows:

Article 60:

"The Safety Certificate, issued under the authority of a contracting State, shall be accepted by the governments of the other contracting States for all purposes covered by this Convention. It shall be regarded by the governments of the other contracting States as having the same force as the certificates issued by them to their own vessels."

Article 61:

"Every vessel holding a Safety Certificate, issued by the officers of the contracting State to which it belongs, or by persons duly authorized by that State, is subject in the ports of the other contracting States to control by officers duly authorized by their governments in so far as this control is directed towards verifying that there is on board a valid Safety Certificate, and, if necessary, that the conditions of the vessel's seaworthiness correspond substantially with the particulars of that certificate; that is to say, so that the vessel can proceed to sea without danger to the passengers and crew."

A REMEDY DEMANDED AND A MEANS OF PROVIDING IT.

CHAPTER VI.

A faithful effort has been made in the foregoing chapters to show by a conclusive array of fact and circumstance how deeply our domestic welfare and our national defense are involved in the re-establishment of an American merchant marine. No other problem now before our people so vitally concerns their future prosperity or their military security. And no other presses upon us so urgently for solution.

These highest interests may have been just as much at stake in years gone by as they are at present. Our well-being as a nation may have demanded action just as strongly then as now, but we either would not or could not comprehend the importance of dealing decisively with this far-reaching question. We preferred to pursue the course of least resistance, to calmly dissipate our

heritage, to surrender our standing as an ocean carrier, and to leave the fate of our foreign commerce in the hands of ungenerous aliens.

It has taken the demoralization of a world war to move us. Only the complete derangement of all foreign relationships, the utter collapse of the entire international trade structure could force upon us the realization that our faith had been misplaced and that our fancied immunity from danger and damage was founded upon shifting sands. But disillusionment has come, and with it a challenge that we must heed. We must act now, and act definitely, for the protection of our over-seas industry, or else confess that we are incapable of meeting a national emergency and unfitted to grasp a national opportunity.

The conditions are all spread before us. We know, at last, exactly where we stand. We know our necessities, and we know the extent of our native resources. We know

the fatuity of further reliance upon the foreigner to do our work, and we know the price we must pay if we undertake to do it ourselves. We know that the markets of half the world are wide open to us, and we know that we cannot enter them without the means of delivering our goods. We know that there are millions, yes, billions of dollars to be made, and we know that they cannot be made unless we establish and maintain direct ocean communication with our customers. We know that the exigencies of war have crippled our trade rivals for the time being, but we know, just as surely that soon or late they will come back. These are, briefly, the profit possibilities which the events of the past two years have defined to us.

But that is not all. We have learned, without having to go to war, the steps we must take in order to prepare ourselves for effective self-defense. We have learned that we have no means of moving an army

corps, at one time, a thousand miles from our shores. We have learned that we have no facilities for supporting our fighting fleets while they are at sea. We have learned that we have no marine service for the training of a naval reserve. We have learned, in other words, that we could not carry on an expeditionary campaign, that we would not dare send our men-of-war into mid-ocean to destroy an enemy, and that we could not replace with trained recruits the men we might lose in a naval engagement. This is, in brief, the information we have acquired about ourselves from a naval and military standpoint.

These revelations might disturb us, even to the point of panic, but for others reassuring in their effect. We have found, for instance, that many of the earlier disadvantages under which our shipping labored have disappeared. We have found that our superb terminal facilities can be adapted to the use of our foreign trade. We have found

that we can build ships at home for about what we would pay abroad. We have found that we can admit to our registry any foreign-built vessel and can import free of duty any amount of ship material. We have found that our measurement laws are substantially in accord with those of other countries. We have found a taxation margin overwhelmingly in our favor. We have found that money for marine investments can be secured at smaller interest rates than ever before, and, what is more important than any of these considerations, we have found that by the use of oil for propulsion we can man and operate mercantile ships with American seamen more economically than at any other time in our history, and in successful competition with the world.

Briefly stated, these are the conditions which the American people have to face in solving the problem of a merchant marine. On the one hand, we may visualize our national necessities in the light of admitted

shortcomings, of grave blunders and costly failures. On the other, we have a series of situations which make it comparatively easy for us to regain the ground that we have lost, to recover the prestige we once enjoyed and to reoccupy a position of military and commercial safety which is our right by every natural and physical law. These are the two phases of the question which must engage our attention in considering the measures now necessary in providing for the future.

At the outset of this discussion, it was assumed that little or no difference of opinion exists among our people on the general proposition of restoring our flag to the seas. It was freely granted that the differences as to how this might be achieved were wide and apparently irreconcilable, but that upon the broad question whether we should or should not have a merchant marine, we are in perfect accord. It is true, as indicated in the beginning, that there is a group of

men who honestly doubt if our shipping can be re-created without direct subsidies; another group that holds to the theory that all navigation laws must be overhauled if our shipping is to prosper, and still another group that insists that government ownership and operation of ships is the only means whereby ultimate maritime success can be achieved.

There would appear, offhand, to be no common ground upon which these men might stand. They are undoubtedly far apart in their views, and it might seem to be an impossible task to reconcile convictions so divergent, to offer a merchant marine program which would embody the best thought of all conflicting elements. Such a plan, however, is not impossible. On the contrary, it is decidedly possible. In the opening pages of this volume I promised the basis of such a compromise, but, before unfolding it, invited attention to the conditions, past and present, which have made

the question one of acute interest throughout the entire country. These questions have now been reviewed as comprehensively as obvious limitations would admit, and I now propose to address myself to the problem of relief—to the matter of remedies.

There is, under existing circumstances, but one defensible method of dealing with all the questions involved in the establishment of a merchant marine under the American flag. This centers about the creation of a Shipping Board, endowed with powers sweeping enough to meet every issue, and with money enough at its disposal to carry into effect any policy which it may find necessary to adopt. The establishment of such a board is an imperative necessity and should be the first consideration of Congress, when that body approaches our marine problem. All other questions may be subordinated to it or, rather, may be merged with it.

If sufficient authority is given a Shipping Board it may be relied upon to go

to the very root of our difficulties, to study the demands of our commerce and the needs of our navy, to weigh the claims of our labor, and, resolving the results into a concrete whole, to give the country an effective administration of our over-seas shipping industry. There is no other feasible way in which the Government can, in the present circumstances, render assistance to this interest. The work should be done by an expert body of men enjoying the confidence of business and labor in equal measure, and entrusted with the power to move in the direction which will best serve the national interests.

Nor is the commission plan of handling special phases of the government work a new idea. It is not an untried experiment. We have made use of these bodies for more than twenty years, and have delegated more and more power to them as each successive board has demonstrated its usefulness. Only an arrant iconoclast would dare propose the

abolishment of the Interstate Commerce Commission, the Civil Service Commission, or the Federal Reserve Board. Each of these bodies has a fixed place in our system of government, and long ago each of them vindicated the judgment of its creators. The proposal for a Shipping Commission is but another step in the same general direction, another move toward competency in handling a definite piece of work demanding the skill and experience of specialists.

Such a board as is here suggested should devote itself primarily to the expansion of our commerce through the establishment of steamship lines and to the equipment of our army and navy with shipping auxiliaries, by the purchase or the construction of a fleet of merchantmen. All else might be properly regarded as detail. The means which the board would employ to this end, the adjustment of labor controversies, the kind of ships and the number of ships to be

acquired, the financial plans and matters of mere organization could be worked out under the blanket authority given.

This board should be composed of five men. The Secretary of the Navy should be an ex-officio member, by reason of his direct interest in a naval auxiliary and a naval reserve. The Secretary of Commerce, by reason of his direct interest in our foreign trade, should likewise be an ex-officio member. The three remaining members should be known as Commissioners, and should be shipping experts. They should be appointed by the President, by and with the advice and consent of the Senate. One of the Commissioners should be designated by the President as the chairman of the board, and a second should be designated as the vice-chairman. No Commissioner should be actively engaged in any other business during his service on this board.

The Shipping Board, as proposed, should be given authority to construct, in American

shipyards, if possible, or elsewhere, if necessary, or even to purchase in the open market, a fleet of merchant vesels. These ships should be of such type and tonnage as will make them suitable for naval auxiliaries or army transports. This is the primary consideration. These vessels would, naturally, be available for the merchant trade, but at all events, should be so constructed and equipped as to make them of immediate use to our naval and military establishments.

Once the vessels have been acquired, either by construction or by purchase, the Shipping Board should be empowered to charter, lease or sell them to such corporations, or individuals as will guarantee to use them for the transportation of commerce between the United States and foreign countries, and authority should reside in the board to operate steamship lines, *if such a condition should arise as to make it absolutely necessary.* If, however, the ships are chartered, leased or sold to private parties at a low rate of interest, say

4 per cent. or less, it is reasonably certain that the emergency power just indicated will never have to be resorted to. This question of interest rates is one of great importance. While the war in Europe is in progress, and perhaps for years after it is over, money for marine investments abroad will necessarily be high. In our movement to organize a merchant fleet we should, therefore, use the credit of the Government to the very best advantage.

In turning over Government-owned vessels to private interests, a reservation should be made to the effect that no steamship line, organized by this means, should enter into competition with any existing American company supplying a satisfactory service at reasonable rates. It would be bad policy to interfere in any degree with such service or with any satisfactory service that may hereafter be provided by private American interests. It should not be the purpose of the Shipping Board to drive

American enterprise off the seas. Its purpose should be to supplement, not duplicate, the efforts which our citizens may already be directing toward the extension of our ocean facilities.

In order to provide a merchant fleet of sufficient proportions to meet our pressing commercial, as well as our military needs, the Shipping Board should have at its disposal not less than $50,000,000. With this sum from forty to fifty ships, with an aggregate tonnage of approximately 500,000 gross tons, may be acquired. No fewer vessels will meet our present demands. Twice that number could be used to advantage in our trade campaign, and our naval authorities have urged the acquisition of at least this amount of tonnage, if our fighting ships are to be even partially supported. The money could be raised without burdening the people with one dollar's direct taxation, by the sale of Panama Canal bonds, already authorized, and now in the Treasury unissued.

Inasmuch as the creation of a Shipping Board and the acquisition of a merchant fleet are predicated upon their value to our army and navy, the vessels in question should be available at any time for military purposes, and Congress should provide the power to take over temporarily or absolutely any or all ships for use as transports or naval auxiliaries at any time they might be needed. A fair rental, based upon the actual value of the vessels requisitioned, should be fixed for the protection of the operating companies, and of those who may have invested in them.

Special provision should be made whereby the Shipping Board shall lend all possible assistance to the trade between the Atlantic and Pacific Coasts via the Panama Canal. It is doubtful if all the vessels which the board may acquire should be permitted to engage in coastwise shipping. A vessel, for instance, that may be purchased abroad at a cheaper price than a vessel of

the same type built in the United States, should not be permitted to compete with the domestic ship in the coastwise trade. It would, perhaps, be well to draw the line so as to admit to the coasting business only vessels built in American shipyards, either by the board itself or by others who have sold or leased ships to the board.

The President should be authorized to deliver to the Shipping Board any auxiliary vessels now belonging to the Army or Navy, or any vessel now owned or controlled by the Panama Railroad, if, in his judgment, such vessels are not needed by either of these departments of the Government. These ships, upon delivery to the board, should become immediately available for commercial purposes, and should be leased or sold to any interest that would guarantee to operate them on American trade routes. It is well known that the Navy Department now has a number of colliers, for instance, which it might conveniently convert into trade car-

riers, and to that extent furnish relief to our trade interests. There is no law, however, permitting the Secretary of the Navy or the President to utilize these ships for any other than naval purposes. These colliers, of course, would not be beyond the call of the Navy in time of stress. They would have the same status as any other auxiliaries which the Shipping Board might have leased or otherwise disposed of, and could be recalled any time they were needed.

In order to carry out the purposes for which a Shipping Board may be created, that body should have authority to form a corporation, with the right to build, purchase and operate merchant ships to be used in extending the commerce of the country. The board should have the power to subscribe in the name of the Government to the stock of the corporation which it has formed, but should not subscribe to less than a majority of the shares, in order to maintain control of the corporation's affairs. With the approval

of the President, however, the board should be permitted to sell the Government's stock whenever private interests show a willingness to buy it, provided it can be disposed of on terms that are manifestly in the public interest.

Under such a provision as this, the Government would be engaged in the shipping business only so long as private enterprise held off. If at any time such interests wished to take over the corporation formed by the Shipping Board, they would have the privilege of making an offer to the board for the Government's holdings, and if the President agreed, these holdings could be disposed of. Even then, however, the vessels owned and operated by the corporation should be available for military or naval emergencies. It would be wise to give railroads the right to buy or lease vessels controlled by the Shipping Board, provided such ships were used in extending the lines of the land carriers under conditions that would extend

domestic and foreign trade without stifling competition.

If a Shipping Board is to attain a state of highest usefulness, it must have the power to regulate the operation of all domestic enterprises engaged in shipping between American ports and between this country and foreign ports. This power of supervision should extend to all trade practices, to the determination of transportation routes, and to joint railroad and steamship movements of freight. The Board should even be given a degree of rate-making power. It should have authority, for instance, to prescribe maximum charges to be collected by all domestic corporations engaged in shipping, and in certain instances should be allowed to fix preferential rates on export shipments when these may be necessary in order to promote trade expansion. It is, however, questionable whether the power to fix minimum rates should be given to the board. As has already been

pointed out in this volume, the steamship business is often subjected to such conditions as make it necessary to reduce rates without notice. This would be impossible if the board had arbitrarily fixed minimum as well as maximum rates.

In giving power to the Shipping Board to fix joint railroad and steamship rates, the authority of the Interstate Commerce Commission over railroads should not be infringed upon. On the contrary, the latter body should be authorized to confer with the Shipping Commissioners to determine the reasonable proportions of a joint rate. Whatever these two bodies agreed upon should be enforced against the land and water carrier alike.

Another duty of importance should be assigned to the Shipping Board. It should have the power to inquire into all navigation laws of the United States now in effect, and should then determine what laws are unnecessary, oppressive or unduly

burdensome either upon our shipping interests, our marine labor or our shipbuilding industry. At the same time the President should be given authority to suspend, upon the recommendation of the Shipping Board, any law or any part of a law which the Executive and the Commissioners may decide is against the best interests of the country. This suspension should be by Executive proclamation, and should remain in effect until Congress has an opportunity to repeal the law or laws in question. Such a step as this would meet every existing demand for necessary changes in our navigation laws and would put the responsibility for such action upon the shoulders of the commission of experts, representative of all interests involved.

A feeling will no doubt prevail among those who may study the plan as so far outlined, that such a program deals only with domestic corporations or interests engaged in shipping, and that the foreigner trading

at our ports escapes all the regulations and supervision that it is now proposed to impose upon our domestic enterprises. And if the plan ended here this pointwould be well made. The plan, however, extends further, and though recognizing the fact that the Government of the United States has no jurisdiction over foreign corporations, as such, it includes a license provision which has the same effect as jurisdiction.

For instance, the law creating a Shipping Board should provide that every corporation, firm or individual desiring to trade in American ports must have a license from the United States, to be issued by the Shipping Board, giving vessels the right to enter and leave the ports of this country. Advantages of such a license system are obvious to any one who stops to consider the question. If we provide that a vessel must have a license or permit in order to touch at our ports, we can at the same time fix the conditions under which we will grant the permit.

We can enforce our freight-rate regulations, compel the use of certain safety-at-sea equipment, bar unfair practices in competition, and exact obedience to our laws. All this may be accomplished by the simple expedient of giving the board the power to revoke the license of an offending steamship company. Such authority as contemplated is sweeping, yet it is absolutely necessary if we are ever to have even a semblance of control over alien ships that trade at our ports.

The Shipping Board and the merchant fleet which it is proposed to create give us our long-hoped-for opportunity to found a naval reserve. It has already been shown how the merchantmen may become auxiliaries for both the Army and Navy, and how this may be done without increasing our defense budget. I now propose to show how a reserve for the Navy may be established with a comparatively small expenditure of money.

The officers and crew of every merchant

vessel controlled by the Shipping Board should be given the privilege of volunteering as reservists, and such of these men as qualify, after being examined, might be enrolled as members of the Naval Reserve in various ranks and ratings corresponding to those in the Navy itself. All such volunteers must be citizens of the United States, and the regulations for the Reserve should be approved by the Secretary of the Navy. The examination for admission to the Reserve of officers and men should be held by naval officers designated by the Secretary for that purpose. All reservists received into the corps by this means should receive an allowance from the Government in addition to their pay as merchant sailors. This allowance should not exceed $5 a month for enlisted men, $10 a month for petty officers, $12 a month for warrant officers and $15 a month for commissioned officers.

It cannot be doubted that such an investment in a naval reserve would be mutually

beneficial to the Navy and to the merchant marine. In the first instance, it would provide a body of from 10,000 to 15,000 trained reservists for the naval establishment, a military asset of which we are badly in need. It would take but little additional training to convert a merchant sailor into a naval sailor, a merchant officer into a competent naval officer. From another point of view, a naval reserve would invite a far more desirable class of young men to the sea than ever before. Instead of our country boys going to the already overcrowded cities, they would have open to them fine careers in the merchant marine, and be able to hold positions yielding dual pay. From any point of view the naval reserve in our merchant fleet will be worth every dollar it may cost our Government and a great deal more.

A report recently made to Secretary McAdoo by Captain-Commandant E. P. Bertholf, of the U. S. Coast Guard, shows that a naval reserve of 10,000 men can be main-

tained by this plan at an annual cost of approximately $600,000, or about as much as the annual cost of keeping in service a single battleship of modern type. What an insignificant sum to pay for this essential feature of naval preparedness!

A Shipping Board, however ideally conceived, cannot rise to its full responsibilities unless its members are men of the highest type. They must be of the same relative calibre as those who compose the Federal Reserve Board. They must command the implicit confidence of the country and must have no other interest than that of our merchant marine, our foreign trade expansion and our military preparedness. Such a body as defined in this chapter will have many important issues to meet. The labor problem will be a difficult one. Our business men will raise question after question, and our ship-owners themselves will present perplexing problems for solution. It would seem necessary, therefore, to name as Com-

missioners men who would in one way or another be familiar with these vital interests. Then, by common counsel and an exchange of ideas, they would be able to administer the affairs over which they had jurisdiction for the general good of all concerned.

It is not impossible, that in the course of a few years, Congress, after experimenting intelligently with a Shipping Commission, will go a little further and create a Department of Marine. All leading maritime nations have such departments, presided over by a Cabinet Officer or Minister. All of them recognize the inherent value of shipping as a national asset, and give it equal representation with other interests in their systems of government. Before such a consummation is possible, however, the present idea must be tried out and must justify itself by actual service to the country.

It may be fairly expected, that with a Shipping Board in authority over our mer-

chant marine, we will be in better position to deal with the maritime interests of other nations in harmonizing differences and in adjusting competitive conditions. Conferences should be held to discuss questions affecting all nations alike. Conciliatory proposals would be forthcoming when sharp issues were raised, and co-operation would be possible once European nations found that we have a responsible body with whom they could negotiate, and a merchant fleet with which they must reckon. All this will be infinitely easier, as a result of the handicaps under which European shipping will labor as a result of the present war.

A Shipping Board, such as is here suggested, should make reports annually to Congress, embodying recommendations for the further extension of our trade facilities. One of its first duties in this connection should be the preparation of a comprehensive plan for changes in the Ocean Mail Act of 1891, in order to secure additional fast mail, parcel post and pas-

senger lines from our shores to foreign ports. The board could serve Congress most efficiently in an advisory capacity, and should have the widest latitude not only in the enforcement of existing laws and regulations, but in urging upon Congress the necessity for others.

This program represents a new and constructive policy with respect to our merchant marine. We all know that the policies of the past have failed, that the hopes of our people have been disappointed, and that our foreign commerce has been sacrificed. A new course must be pursued. New remedies must be applied, otherwise we shall stand still, as a maritime power, while the remainder of the world moves away from us.

There is one concluding idea which I feel impelled to submit. It is a proposal which, in my judgment, promises an enduring peace not alone for us, but for all the nations of the world. I realize, of course,

that this is a consummation upon which the greatest minds of all civilized peoples have dwelt. It has been the dream of centuries. It has been the supreme aspiration of mankind. And yet the most appalling war of all time is now raging. It is with a measure of diffidence, therefore, that I suggest a peace plan when the failure of all that have gone before is so manifest. However, if in time of peace we should prepare for war, certainly in time of war, we should prepare for peace.

It is my firm belief that future wars can be prevented by the absolute control of the world's foreign commerce, and by that is meant the water-borne commerce. This can be controlled only by two or more nations equipped with merchant fleets and naval fleets powerful enough to force war-inclined nations to accept an arbitration of their differences.

All international peace movements of the past have centered about a system of arbit-

ration. All of them have contemplated a submission of disputes to an impartial tribunal, where justice for all interests might be guaranteed. These movements have been built upon the same theory as that upon which rests the system of jurisprudence in effect wherever civil law is respected. The theory, therefore, is sound. It is unassailable. It is the expression of right and justice between man and man and should be applied with equal force between nation and nation.

Unfortunately, however, this plan which we have so eloquently preached has failed in practice. And the failure, as every man knows, lies in the fact that the force necessary to make it effective has been lacking. There has been no means of compelling the belligerent nations to submit their differences to a court of arbitration, and no power to compel them to accept the judgment of that court. Herein lies the weakness of former peace plans.

It is the creation of this necessary power which I propose, a power which will prevail upon the belligerents to seek redress for wrongs at the hands of an arbitral court, which will then enforce the decree that may be issued. Such power can only be acquired through the control of the seas. It can be demonstrated only by a command of marine transportation, by the ability to isolate from the rest of the world any nations which may resort to arms.

I believe that once we have resumed our place as a great sea power, we can join hands with any other powers and form a union which will give us control of the ocean highways. When that end is achieved and the confederated nations have become irrevocably pledged to peace, the hope of all men will have become a reality.

I have no details to offer. I have in mind only the general outline of a league for the enforcement of peace, and would not have proposed it here but for its direct